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What Changes Are Needed in United States Foreign Policy Toward Latin America?

National Debate Topic for High Schools
1987-1988

Pursuant to Public Law 88-246

Compiled by the Congressional Research Service
Library of Congress

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PUBLIC LAW 88-246, 88TH CONGRESS, S. 2311,
DECEMBER 30, 1963

AN ACT To provide for the preparation and printing of compilation of materials relating to annual national high school and college debate topics.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Librarian of Congress is authorized and directed to prepare compilations of pertinent excerpts, bibliographical references, and other appropriate materials relating to (1) the subject selected annually by the National University Extension Association and the national high school debate topics and (2) the subject selected annually by the American Speech Association as the national college debate topic. In preparing such compilations the Librarian shall include materials which in his judgment are representative of, and give equal emphasis to, the opposing points of view on the respective topics.

Sec. 2. The compilations on the high school debate topics shall be printed as Senate documents and the compilations on the college debate topics shall be printed as House documents, the cost of which shall be charged to the congressional allotment for printing and binding. Additional copies of such documents may be printed in such quantities and distributed in such manner as the Joint Committee on Printing directs.

Approved December 30, 1963.

CONTENTS

FOREWORD VII

I. DEBATE PROPOSITION ONE--RESOLVED: THAT THE UNITED STATES GOVERNMENT SHOULD SIGNIFICANTLY DECREASE ITS MILITARY INVOLVEMENT IN LATIN AMERICA 1

- An Overview of United States Military Assistance Programs. Richard F. Grimmett. Congressional Research Service, 1985 3
- Statement Before the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, in Support of the FY 1988 Security Assistance Program for Latin America. Philip C. Gast. Defense Security Assistance Agency, 1987 16
- Foreign Assistance and Related Programs Appropriation Bill; 1987 Report. [Excerpt]. Senate Committee on Appropriations Report, 1986 53
- Foreign Assistance and Related Programs Appropriation Bill, 1987 Report. [Excerpt]. House Committee on Appropriations Report, 1986 57
- World Military Expenditures and Transfers, 1985, [Excerpt]. U.S. Arms Control and Disarmament Agency, 1985 62
- Collective Security and the Inter-American System. U.S. Dept. of State, 1986 78
- Foreign Assistance and Defense Transactions and Their Direct Effect on the U.S. Balance of Payments: Summary of Statistical Data, 1960-1985. Vladimir N. Pregelj. Congressional Research Service, 1986 81
- Military Sales: The United States Continuing Munition Supply Relationship With Guatemala: Report to the Chairman, Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs. [Excerpt]. U.S. General Accounting Office, 1986 89
- Report of the Arms Control and Foreign Policy Caucus on U.S. Aid to El Salvador; Appendix to Hearings. [Excerpt]. Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, 1985 99
- Declaration of Principles of International Law Concerning Friendly Relations Among States and Co-Operation in Accordance With the Charter of the United Nations, General Assembly Resolution. Dept. of State Bulletin, 1970 109

II. DEBATE PROPOSITION TWO--RESOLVED: THAT THE UNITED STATES GOVERNMENT SHOULD SIGNIFICANTLY INCREASE ITS NON-MILITARY ASSISTANCE TO LATIN AMERICA 115

- Foreign Aid: The Evolution of U.S. Programs. Stanley J. Heginbotham. Congressional Research Service, 1986 117
- Foreign Aid: Answers to Ten Frequently Asked Questions. Larry Q. Nowels with the assistance of Li Gwatkin. Congressional Research Service, 1986 139
- The Budget for Fiscal Year 1988 Supplement: International Affairs. U.S. Office of Management and Budget, 1987 151
- Prepared Statement of the Honorable Elliott Abrams, Assistant Secretary of State for Inter-American Affairs, Before the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, Dept. of State, 1987 161

Prepared Statement of Dwight A Ink, Assistant Administrator, Bureau for Latin America and the Caribbean, Before the Subcommittee on Western Hemisphere Affairs, Committee on Foreign Affairs. [Excerpt]. U.S. Agency for International Development, 1987 171

U.S. Bilateral Economic and Military Assistance to Latin America and the Caribbean, Fiscal Years 1946 to 1987. Dianne E. Rennack and K. Larry Storrs. Congressional Research Service, 1987 176

Statement of Hon. William D. Rogers, Former Assistant Secretary of State for Inter-American Affairs, Before the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, 1985 211

Statement of Norman A. Bailey, Former National Security Council Staff Member, Before the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, 1985 214

Statement of Abraham F. Lowenthal, Professor, School of International Relations, University of Southern California Before the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, 1985 218

Trade Issues: An Overview. George Holliday and Arlene Wilson. Congressional Research Service Review, Feb. 1987 225

The International Debt Problem: Options for Solution. Patricia Wertman. Congressional Research Service, 1986 230

Strengthened International Economic Co-Operation Aimed at Resolving External Debt Problems of Developing Countries; Resolutions and Decisions Adopted by the General Assembly During the First Part of Its Forty-First Session From 16 September to 19 December 1986; Press Release. United Nations, 1987 270

Economic and Social Progress in Latin America: 1986 Report. [Excerpt]. Inter-American Development Bank, 1986 272

III. DEBATE PROPOSITION THREE--RESOLVED: THAT THE UNITED STATES GOVERNMENT SHOULD ADOPT A POLICY TO INCREASE POLITICAL STABILITY IN LATIN AMERICA 311

Promoting Inter-American Cooperation. Secretary of State Schultz. U.S. Dept. of State, 1986 313

Democracy in Latin America and the Caribbean: The Promise and the Challenge. U.S. Dept. of State, 1987 318

The Soviet Union in the Third World, 1980-85: An Imperial Burden or Political Asset; Committee Print. [Excerpt]. Joseph G. Whelan and Michael J. Dixon. Congressional Research Service, 1985 354

Pertaining to Additional Economic Assistance to the Central American Democracies; Message From the President of the United States 99-591. [Excerpt]. 1987 369

Kissinger Commission Implementation: Action by the Congress Through 1986 on the Recommendations of the National Bipartisan Commission on Central America. K. Larry Storrs. Congressional Research Service, 1987 380

Supporting the Contadora Process: Report. House Committee on Foreign Affairs, 1986 403

Contra Aid: 1981-87; Summary and Chronology of Major Congressional Action on Key Legislation Concerning U.S. Aid to the Anti-Sandinista Guerrillas. Nina M. Serafino. Congressional Research Service, 1987 462

Further Assistance to Nicaraguan Democratic Resistance; Communication From the Assistant Secretary of State, Legislative and Intergovernmental Affairs, 1987 471

Statement by Sol. M. Linowitz Before the Senate Committee on Foreign Relations. 1987 486

Report of the Delegation to Latin America. [Excerpt]. House Committee on Armed Services, 1987 498

Judgment of the International Court of Justice of 27 June 1986 Concerning Military and Paramilitary Activities in and Against Nicaragua: Need for Immediate Compliance; Resolutions and Decisions Adopted by the United Nations General Assembly During the First Part of Its Forty-First Session From 16 September to 19 December 1986; Press Release. United Nations, 1987 503

AN ANNOTATED BIBLIOGRAPHY ON THE 1987-1988 HIGH SCHOOL DEBATE TOPIC 505

A GUIDE TO INFORMATION SOURCES ON THE 1987-1988 HIGH SCHOOL DEBATE TOPIC 689

AVAILABLE GOVERNMENT PUBLICATIONS ON THE 1987-1988 HIGH SCHOOL DEBATE TOPIC 709

Congressional Research Service
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Washington, D.C. 20540

FOREWORD

The 1987-1988 high school debate topic is, "What changes are needed in United States foreign policy toward Latin America?" The three official debate propositions within this topic are:

RESOLVED: That the United States Government should significantly decrease its military involvement in Latin America.

RESOLVED: That the United States Government should significantly increase its non-military assistance to Latin America.

RESOLVED: That the United States Government should adopt a policy to increase political stability in Latin America.

In compliance with Public Law 88-246, the Congressional Research Service of the Library of Congress prepared this compilation of materials and bibliographic references to assist high school debaters in researching the topic. Excerpts from documents were selected to provide background information, an overview of the principal issues, and a balance of opposing views. We have included some materials that are not readily available in public or research libraries. In selecting items for this reader and bibliography, the Congressional Research Service (CRS) has attempted to sample the wide spectrum of opinions reflected in current literature on these questions. No preference for any policy is indicated by the selection or positioning of articles herein, nor CRS disapproval of any policy or article to be inferred from its omission.

A research guide is included at the end of this volume; it is intended to help debaters identify further references and organizational resources on their own. Also included is a list of relevant publications that are available for purchase from the Superintendent of Documents, Government Printing Office. Some of the U.S. Government documents listed in the manual may be found in U.S. Government depository libraries, which can be identified by local public libraries. The Library of Congress cannot distribute copies of these or other materials to debaters.

The documents presented in this compilation were selected by Sherry B. Shapiro, Senior Bibliographer, Library Services Division, and K. Larry Storrs, Analyst in Latin American Affairs, Foreign Affairs and National Defense Division. In addition, many other CRS analysts provided recommendations on the selections. Ms. Shapiro prepared the guide to information sources. Technical production was made possible by John White, Ann Eschete, and C. Lee Burwasser, Library Services Division.

Good luck to each debater in researching, preparing, and presenting arguments on this year's topic.

Joseph E. Ross

Joseph E. Ross, Director
Congressional Research Service

1. RESOLVED: THAT THE UNITED STATES GOVERNMENT SHOULD SIGNIFICANTLY DECREASE ITS MILITARY INVOLVEMENT IN LATIN AMERICA.

An overview of United States military assistance programs, by Richard F. Grimmett. Washington, Congressional Research Service, 1985. 13 p. (CRS report 85-91 F)

This report reviews the evolution of the two largest components of U.S. military aid -- the grant Military Assistance Program (MAP) and the Foreign Military Sales (FMS) cash and credit program. It also explains the relationship between American foreign policy goals and the use of military assistance as an instrument in support of them.

Attached to the report is a series of tables showing, among other things, the regional distribution of allocations for the major military assistance programs in three distinct time periods (the Cold War period, FY 1950-FY 1963; the Vietnam period FY 1964-1973; the Middle East period, FY 1974-FY 1985), and, additionally, a summary of important legislative benchmarks in the history of U.S. military assistance.

At the outset it would be useful to summarize why military assistance has been provided by the United States. There are three principal reasons:

1. To enhance the ability of allied and friendly nations to defend themselves against external aggression or internal subversion by Communist or unfriendly forces.

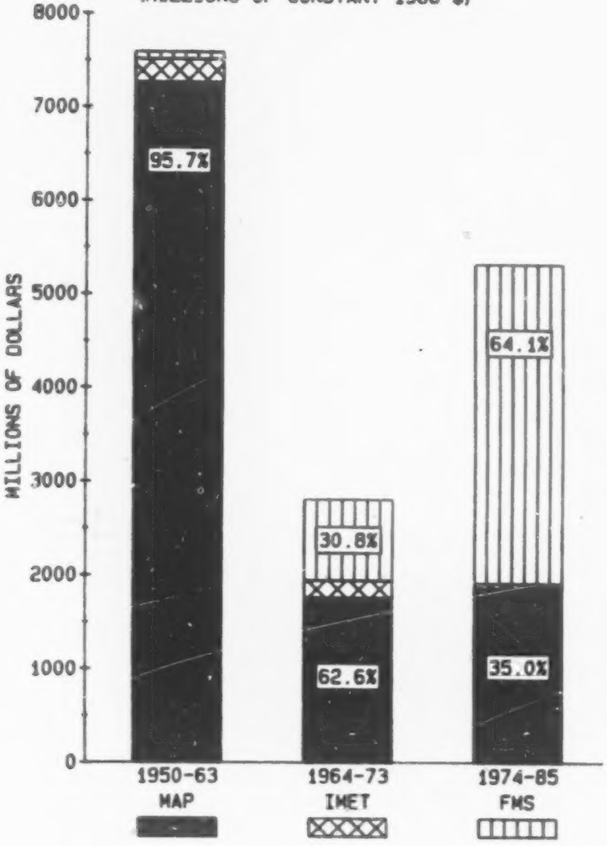
2. To enhance bilateral security relationships in order to deter aggression against allied and friendly nations.

3. To express tangible American support for political actions of allied and friendly nations that the United States seeks to encourage.

The first reason is essentially a military one. The other two are both political and military in nature. An important shift in emphasis in our reasons for giving military aid has occurred over time. In the beginning, the principal concern was deterring Soviet expansionism. In more recent years it has been to use military assistance to deal with Soviet proxies and other unfriendly forces and to advance purely political goals of U.S. foreign policy.

For general overviews of U.S. economic and military aid programs see the first articles in the second section of this volume.

THREE PERIODS IN U.S. MILITARY AID PROGRAMS
AVERAGE ANNUAL OBLIGATION, BY PROGRAM
(MILLIONS OF CONSTANT 1986 $)



THREE PERIODS IN U.S. MILITARY AID PROGRAMS
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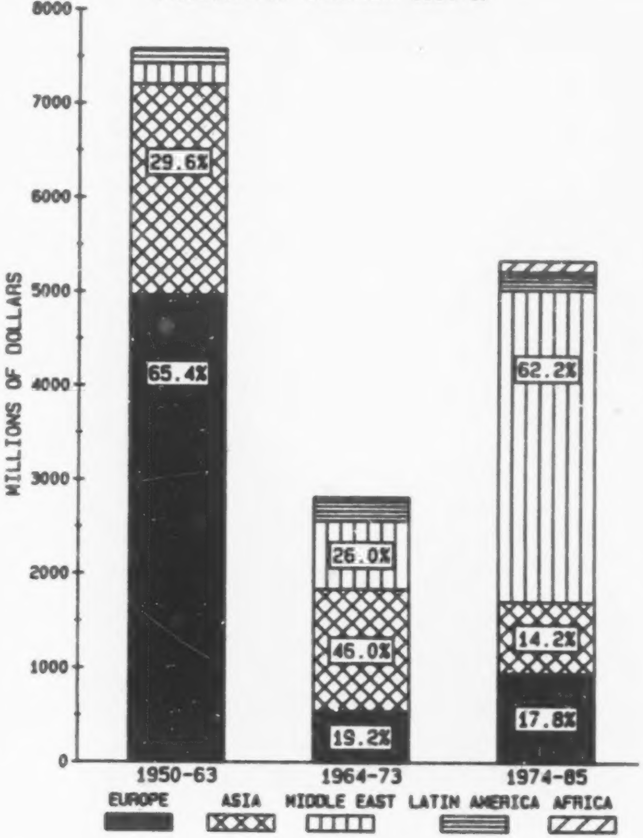


The American programs of military assistance, together with the Economic Support Fund, currently termed "security assistance," originated in the Soviet-American confrontation that developed in the aftermath of World War II. When the Soviet Union made a major effort to expand its control and influence in Europe and Asia by exploiting the political and economic dislocation created by the war, the United States responded with bold new policy initiatives to counter it. The aim of these American initiatives was to restore political and economic stability in key non-Communist regions of the world -- especially Europe -- in the hope that this action would halt the potential for Soviet domination of them.

Beginning with the stopgap Greek-Turkish military and economic aid program of 1947 the United States pursued a policy of active "containment" of the Soviet Union. Broadly conceived, the "containment" policy envisaged U.S. resistance to the expansion of Soviet power and influence whenever it threatened to undermine the independence of non-Communist nations, through internal subversion or direct aggression. In practice, the "containment" policy led to the creation of military assistance programs as instruments to implement the U.S. collective security commitments undertaken during the formative years of the Cold War.

By 1949, the stopgap approach was replaced by a more formal and comprehensive approach to containing the Soviets. First, the United States, Canada, and 10 European nations signed and ratified the North Atlantic Treaty, and established NATO. Second, Congress passed the Mutual Defense Assistance Act (MDAA) to implement the "mutual security" concept, inherent in the NATO treaty, through a broad-gauged program of military assistance. The Mutual Defense Assistance Act of 1949 established the authority to provide military aid to

NATO members, and to Turkey, Greece, Korea, Iran, the Philippines, and Taiwan as well.

The Mutual Defense Assistance Act of 1949 also created the legal basis for major military assistance program elements that exist to this day. These elements include the grant Military Assistance Program (MAP); the grant military training program (part of MAP until 1976 when the International Military Education and Training Program (IMET) was created); and the Foreign Military Sales (FMS) cash sales program. The authority for the FMS credit program was created by the Mutual Security Act of 1954.

In the early 1950s the United States attempted to replicate the NATO treaty model in Asia by creating a number of bilateral and multilateral mutual security pacts with various Asian nations. These treaties were in partial response to the unsuccessful attempt of North Korea to overrun the government of South Korea in 1950, as well as the increasing instability in Southeast Asia generally. These treaties included bilateral ones with Japan and the Philippines in 1951, with South Korea in 1953, and Taiwan in 1955. Multilateral pacts were reached with Australia and New Zealand (ANZUS) in 1951, and with other Asian nations, including Thailand and Pakistan, through the Manila Pact, which created SEATO in 1954. As the number of mutual security arrangements increased so did U.S. military assistance to nations that were parties to them.

From the late 1940s to the early 1960s a consensus existed within the U.S. Government that the paramount need to strengthen anti-Communist forces overrode concerns of those who questioned the value of supporting repressive regimes, some of which were more concerned with fighting an internal opposition or regional foes than communism per se.

But by the early 1960s, our military assistance programs underwent changes in their size and focus as part of a broader redirection of American foreign assistance programs generally. Europe had recovered from the devastation of World War II. NATO, the Military Assistance Program and the Greek-Turkish aid program had collectively deterred the Soviets on the European continent. Many NATO members had successfully rebuilt viable military establishments. In Asia, the attempt to overthrow South Korea had failed after strong resistance from U.S. and U.N. forces. As a consequence, the comparatively high levels of funding for military assistance declined following the Korean war. As the 1960s began, increasing emphasis was being placed on developmental and economic assistance to combat Communist influence and to advance American foreign policy interests in the developing world.

The Vietnamese war, however, soon came to dominate U.S. foreign and defense policy considerations, and did so from 1964 to 1973. The war experience had a profound effect on domestic support in the United States for military assistance programs. The conflict in Vietnam was seen by many in the Kennedy, Johnson, and Nixon Administrations as a classic model of a Soviet or Communist-inspired "war of national liberation." It became a test case for the thesis that substantial amounts of military aid could enable a developing nation to withstand a significant threat of external aggression or internal subversion.

The Vietnam war, more than any other event during the period from 1964 to 1973, drove the allocation of military assistance funding. The greatest proportion of Vietnam-related grant military aid does not appear in most foreign aid data because it was provided from a special military assistance service fund (MASF) account -- which was established outside of the regular MAP program account. It was authorized and appropriated through Defense Department authorization and appropriation bills for fiscal years 1966-1975. Regular Military Assistance Program (MAP) funding for South Vietnam ended in fiscal year 1966. During the key period of the MASF program's existence -- FY 1966-FY 1975 --

South Vietnam received more than $13.6 billion in grant military articles, services and training from the MASF account alone.

But despite the expenditure of tremendous resources by the United States in support of the South Vietnamese government, a determined foe prevailed in the end. This disillusioning conclusion of the Vietnam war reshaped American attitudes regarding the viability of military assistance as an instrument for supporting American foreign policy goals.

The Vietnam war also dramatized an issue that had been overshadowed in the 1950s and early 1960s. Prior to Vietnam, concern with containing Communist subversion in the world superseded questions regarding the nature of governments receiving our military aid. This Cold War consensus on foreign military assistance was shattered by the Vietnam war experience. We saw vividly the use of our aid against domestic foes of the regime we were helping. We saw our military aid contribute to the rise of the military as the predominant political force in South Vietnam. In the post-Vietnam period, Congress expressed increasingly strong concerns about the wisdom of direct U.S. military involvement in conflicts in developing nations, and an even stronger aversion toward the United States assisting or becoming identified with dictatorial or undemocratic regimes no matter how anti-Communist they might be.

Two key shifts occurred in fiscal year 1974. First, the grant MAP program was superseded by the FMS cash and credit sales program as the largest single component of U.S. foreign military aid. Second, the Middle East displaced Asia as the leading regional recipient of U.S. military assistance.

The notable shift away from the grant MAP program to FMS sales took place because recipient countries had increasingly become able to purchase military equipment as their economies grew. When the MAP program was established, it was predicated on the presumption that at some point allied and friendly nations would "graduate" from dependence on this type of assistance and not continually be "wards" of the United States. Thus when the shift in emphasis from MAP to the FMS sales program occurred it was one consistent with the view that allied and friendly nations should -- to the extent possible -- assume greater shares of the burden of individual and collective self-defense.

From FY 1974 to the present, the FMS financing program has been the predominant element of U.S. military assistance. It should also be noted that from the mid-1970s, the FMS cash sales program has grown rapidly as well. While the FMS cash sales program does not involve congressional appropriations, it is viewed by the executive branch as a very important instrument in support of U.S. foreign policy goals. Furthermore, since FY 1974, the annual totals of all FMS cash sales have consistently exceeded the annual totals allocated by Congress for all U.S. military assistance programs combined.

The related shift in military assistance to the Middle East began in earnest when the Arab-Israeli war of October 1973 and the related oil embargo against the United States raised new policy concerns about ensuring access to the oil resources of the strategic Persian Gulf, as well as achieving a lasting peace between Israel and its Arab neighbors. The fall of the Shah of Iran in 1979, and the regional instability enhanced by the Iranian revolution gave greater impetus to American involvement within this region. When the Soviet Union invaded Afghanistan in 1979, President Carter enunciated a U.S. commitment to oppose directly subversion and aggression throughout the Persian Gulf and Middle East area.

As events such as these systematically drew the United States into the security problems of the Middle East, the military assistance program allocations to this area increased dramatically. Indeed, since FY 1974 this region has consistently received the greatest share of U.S military assistance. Six years after they signed the Camp David accords, Israel and Egypt are the two leading recipients of U.S. military assistance in the world. The U.S. military assistance provided to these nations since they signed the accords is a key illustration of how the United States has used this instrument of policy in an effort to promote peace in their region.

Middle East nations have dominated U.S. military aid expenditures since the mid-1970s, but a series of "base-rights" countries have collectively received the next largest share of U.S. military assistance in the most recent period. From the mid-1970s to the present, the United States has provided military assistance to nations in NATO's southern region -- to Turkey, Greece, Portugal and Spain -- and to the Philippines in Asia. This assistance has had two principal purposes: to upgrade the military capabilities of these allies and to maintain continued access to and use of important military facilities located in these countries.

Aid levels for Africa and Latin America have been consistently low throughout the history of U.S. military aid programs. Ethiopia was the leading recipient of U.S. military assistance in Africa until 1977, when its pro-Western government was overthrown and the country became a Soviet client state. In recent years, the United States has allocated some military assistance to Sudan in response to its support for the Middle East peace process and threats from Libya. Military aid has also been provided to Somalia and Kenya in association with military base access agreements.

Throughout the 1950s and early 1960s, American policymakers did not perceive states in Latin America to be seriously threatened by either external aggression or internal subversion. After Fidel Castro seized power in Cuba this perception changed somewhat. Yet military aid levels still did not grow markedly because most Latin American states had governments that were either politically conservative, dominated by an anti-Communist military, or both. Thus most military assistance to Latin America until the most recent period was used essentially as symbolic support for anti-Communist regimes or to meet defense needs at the low threshold American policymakers felt was appropriate for the region. Central America has been an area of greater concern since 1981, resulting in increased military aid to El Salvador. As a consequence the military assistance levels for the Latin American region have risen.

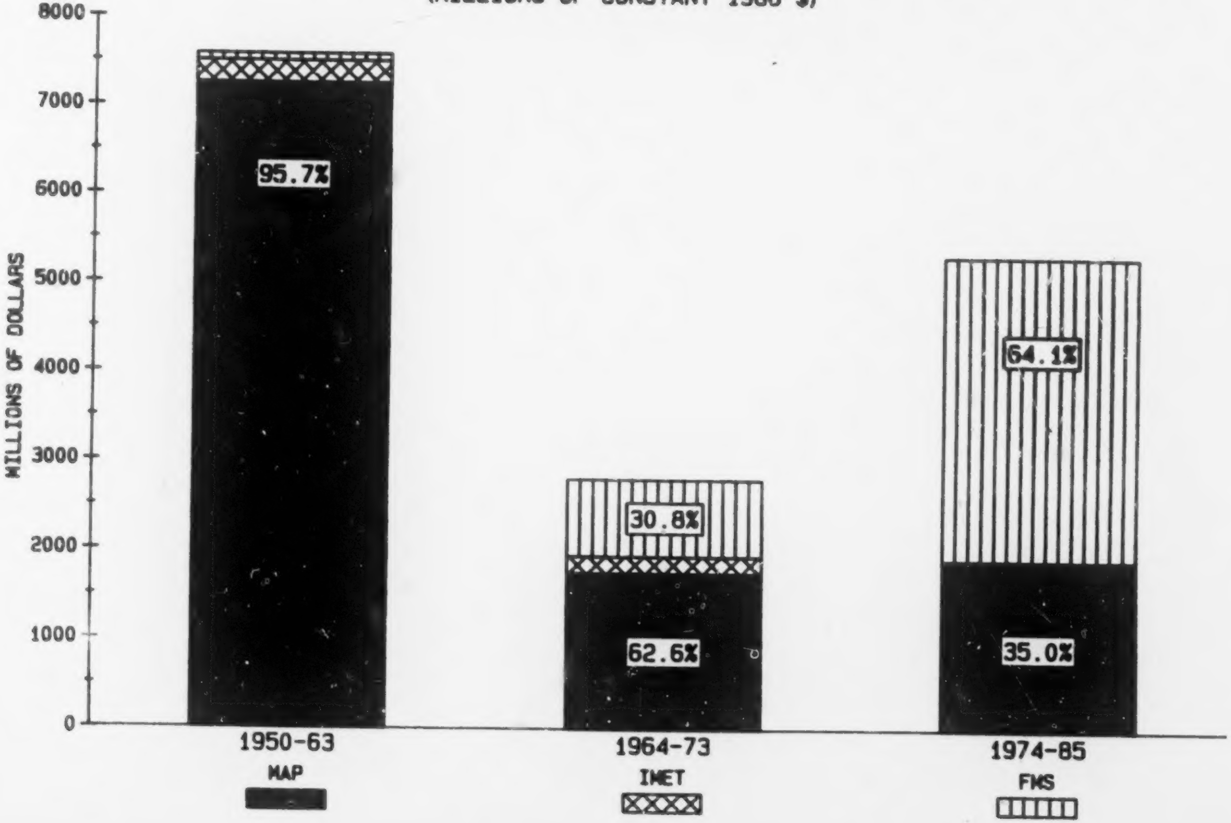
There are two basic continuing dilemmas regarding the provision of military aid. First, military aid is generally more visible than economic aid. Consequently, the United States is usually identified with the government that receives it. If that government becomes unpopular and is replaced, there is always the potential that the United States will be blamed for perceived misdeeds of the former regime. Second, the United States sometimes finds itself in the position of arming two friendly states that happen to be hostile to each other. This can be the catalyst for ill will against the United States by either or both recipient nations.

There are also two characteristics of military assistance as an instrument in support of U.S. foreign policy goals. First, military aid is an imperfect instrument. Its use cannot guarantee outcomes that we seek to achieve. Despite massive grant military assistance to South Vietnam the government we supported was still defeated. Despite years of grant military aid to Ethiopia, its government was overthrown by pro-Soviet forces. Despite billions of dollars in cash arms sales to Iran, the Shah was overthrown by an internal revolution. On the other hand, military assistance from the United States aided the successful containment of Soviet power in Western Europe and helped maintain the independence of South Korea; and these were no small achievements.

Second, military assistance appears to be most effective when used to support more developed nations -- ones with a stable political system and an industrial base and populace capable of readily absorbing the aid provided. Problems in its use seem most likely when it is introduced into nations still coping with the pressures of political, economic and social change created by the industrial age.

Finally, there have been two major shifts in *policy* emphasis in our military aid programs since their inception. First, the principal focus of military assistance *as military assistance* has shifted. The programs began as a means to deter *Soviet* expansionism. Today they are primarily intended to deter or defeat aggression and subversion by *Soviet surrogates* or that of *other* unfriendly states having their own agendas.

Second, military assistance has become as much, if not more, of a *political* as opposed to purely military instrument of policy in recent years. By way of illustration, the total FMS financing program requested for FY 1986 is $5.65 billion divided among 26 nations. A handful of these countries would receive the bulk of the financing. In their cases, the Administration's own justification for the aid does not rest exclusively on a military requirement. In most of the other cases, the assistance is based as much on a desire to indicate *political* support for the recipient as on a wish to enhance *military* capabilities. This increased political symbolism attached to the military assistance provided, makes the choices of the Congress all the more difficult. It is much easier, by contrast, to apportion funds for military aid intended to support *exclusively* military requirements.



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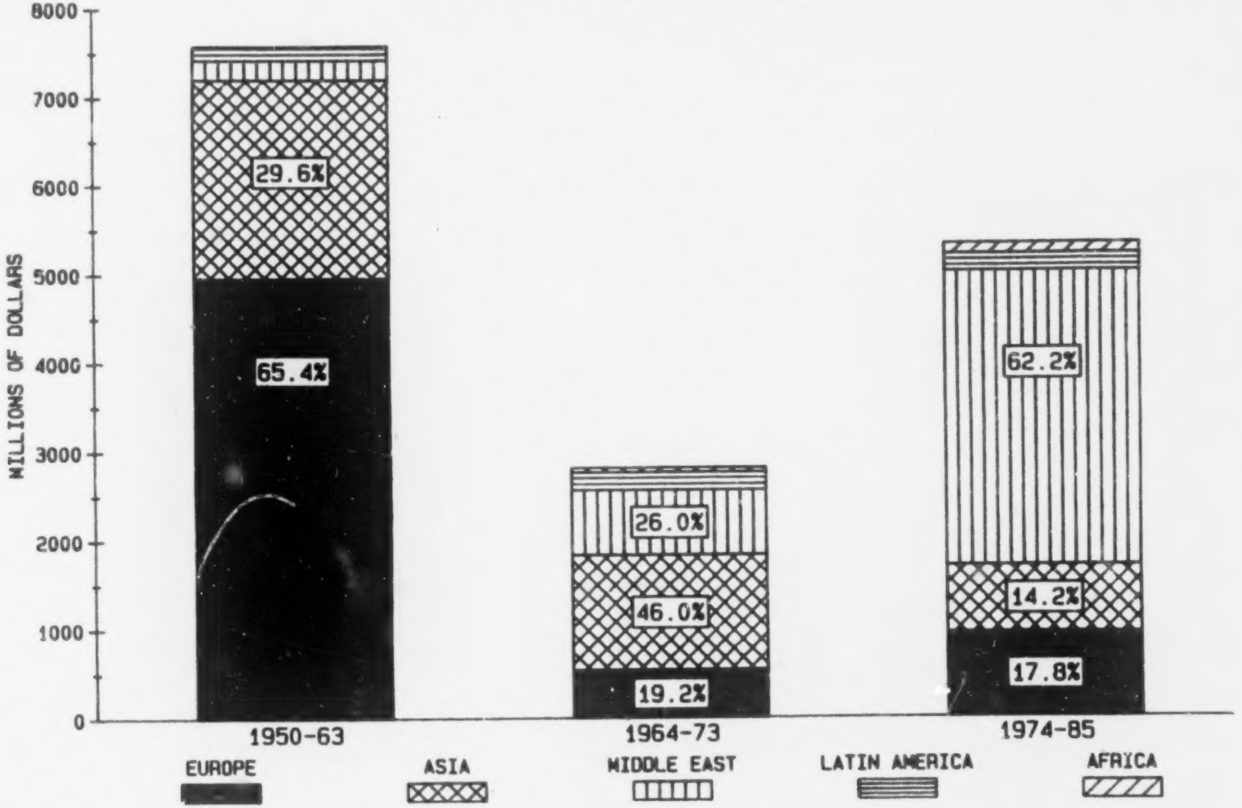

THREE PERIODS IN U.S. MILITARY AID PROGRAMS
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Legislative Benchmarks in the History of Military Assistance Program

Year	Legislation	Outcome
1947	Greek-Turkish Aid Bill (P.L. 80-75)	First major commitment of military and economic aid
1949	Mutual Defense Act of 1949 (MDAA) (P.L. 81-329)	Creates Military Assistance Program (MAP); creates authority for Foreign Military Sales (FMS) cash program
1951	Mutual Security Act of 1951 (P.L. 82-165)	Establishes authority for military and economic assistance in one legislative vehicle; establishes basis for Economic Support Fund (ESF)
1954	Mutual Security Act of 1954 (P.L. 83-665)	Establishes basis for Foreign Military Sales (FMS) credit program
1961	Foreign Assistance Act of 1961 (P.L. 87-195)	Makes major consolidation of all prior Security Assistance Programs in new legislative vehicle
1968	Foreign Military Sales Act of 1968 (P.L. 90-629)	Establishes separate legislative authority for Foreign Military Cash and Credit Sales Program
1976	International Security Assistance and Arms Export Control Act of 1976 (P.L. 94-329)	Creates Arms Export Control Act which consolidates existing legislation relating to U.S. arms sales (cash or credit), government and commercial; establishes International Military Education and Training (IMET) as separate program from MAP
1978	International Security Assistance Act of 1978 (P.L. 95-384)	Establishes Economic Support Fund (ESF) as title for program previously known as Security Support Assistance, Supporting Assistance and Defense Support
1981	International Security and Development Cooperation Act of 1981 (P.L. 97-113)	Provides authority for a Special Defense Acquisition Fund (SDAF) to facilitate procurement of high demand items in anticipation of foreign military sales to eligible nations

Richard F. Grimmett, Specialist in National Defense, Foreign Affairs and National Defense Division, Congressional Research Service

STATEMENT

BEFORE THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE
THE HOUSE FOREIGN AFFAIRS COMMITTEE
LTG PHILIP C. GAST,
DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY
In Support of the FY 1988 Security Assistance Program for Latin America
February 25, 1987

INTRODUCTION

THANK YOU MR. CHAIRMAN.

SECRETARY ABRAMS HAS JUST PROVIDED THE SUBCOMMITTEE A DETAILED AND COMPREHENSIVE REVIEW OF THE PRESIDENT'S FY87 SUPPLEMENTAL AND REQUEST, AND FOR THE FY 1988 FOREIGN ASSISTANCE PROGRAM FOR LATIN AMERICA. WHILE THE FOCUS OF THIS COMMITTEE IS ON LATIN AMERICA, IT IS IMPORTANT TO KEEP UPPERMOST IN OUR MINDS THE GLOBAL REQUIREMENTS AND HOW LATIN AMERICA FITS INTO THEM. GIVEN CONSTRAINED BUDGETS, EACH REGION IS PLACED IN PERSPECTIVE. IF ALL ARE NOT ADEQUATELY FUNDED, THEN OUR ENTIRE FOREIGN POLICY AND DEFENSE STRATEGY SUFFERS. WE IN THE DEPARTMENT OF DEFENSE FULLY SUPPORT THE FY1988 REQUEST AND BELIEVE IT REPRESENTS AN APPROPRIATE MIX OF ECONOMIC AND MILITARY ASSISTANCE FOR ACHIEVING OUR NATIONAL GOALS. WE CANNOT CONTINUE AT THE RESOURCE LEVEL PROVIDED IN FY 1987 WITHOUT GRAVE DAMAGE TO OUR INTERESTS. WE FACE A BUDGET CRISIS THAT HAS FAR-REACHING CONSEQUENCES FOR UNITED STATES FOREIGN POLICY AND DEFENSE STRATEGY. THE PRESIDENT'S REQUEST FOR THE 150 ACCOUNT FOR FY 1988 IS A MODEST ONE, WHICH RECOGNIZES THE NEED TO REDUCE OUR BUDGET DEFICIT. IT IS, IN OUR

JUDGMENT, THE AMOUNT NEEDED IF THE UNITED STATES IS TO MAINTAIN ITS LEADERSHIP ROLE AND TO PROVIDE FOR OUR SECURITY.

CHART 1: INTERNATIONAL AFFAIRS BUDGET

THE UNITED STATES HAS LONG HAD AN INTEGRATED APPROACH TO THE WORLD, WHICH INCLUDES MILITARY, ECONOMIC, POLITICAL, DIPLOMATIC AND PURELY HUMANITARIAN ASPECTS. ON THIS FIRST CHART YOU CAN SEE THE ARRAY OF MAJOR FOREIGN POLICY INSTRUMENTS THAT WE EMPLOY IN DEALING WITH AN INCREASINGLY INTERDEPENDENT WORLD. WHILE THE LEVEL OF FUNDS REQUESTED IN EACH ACCOUNT VARIES CONSIDERABLY, EACH OF THE FUNCTIONS IS IMPORTANT TO THE UNITED STATES. MILITARY AID, CONSISTING OF FMS CREDITS, MAP AND IMET IS ONLY A PART OF THE WHOLE. WE NEED THE WHOLE REQUEST WITH ALL OF ITS PARTS SUFFICIENTLY FUNDED TO SERVE OUR BROAD NATIONAL GOALS, BOTH ECONOMIC AND SECURITY.

LET ME FACE THE ISSUE SQUARELY. ALL OF US ARE DEDICATED TO HELPING REDUCE THE DEFICIT, BUT SOME CRITICS OF FOREIGN AFFAIRS FUNDING NOT ONLY CLAIM IT IS A GIVE AWAY PROGRAM, BUT HAVE ALSO POSTULATED A TOTAL COMPETITION BETWEEN DOMESTIC SPENDING AND MONEY SPENT FOR OUR SECURITY AND THE CONDUCT OF FOREIGN AFFAIRS. THIS IS A FALSE DICHOTOMY. OUR DOMESTIC WELFARE AND THE U.S. ECONOMY IS FUELED BY THE ENGINE OF FOREIGN TRADE, WHICH IS IN TURN GREATLY DEPENDENT ON WORLD AFFAIRS AND THE DEGREE OF STABILITY IN REGIONS WHERE WE TRADE. A RECENT STUDY BY THE ATLANTIC COUNCIL HAS

DETAILED WHAT THIS MEANS IN STARK TERMS:

- IN THE LAST QUARTER OF A CENTURY U.S. FOREIGN TRADE GREW FROM LESS THAN TEN PERCENT TO MORE THAN 25 PERCENT OF OUR GROSS NATIONAL PRODUCT.
- 20 PERCENT OF U.S. INDUSTRIAL OUTPUT IS FOR EXPORT.
- ONE IN SIX AMERICAN PRODUCTION WORKERS' JOBS DEPEND ON INTERNATIONAL TRADE.
- 40 PERCENT OF U.S. FARMLAND PRODUCES FOR EXPORT.
- ABOUT ONE-THIRD OF U.S. CORPORATE PROFITS ARE GENERATED BY INTERNATIONAL ACTIVITIES.
- U.S. COMMERCIAL BANKS HAVE $130 BILLION IN LOANS OUTSTANDING TO DEVELOPING COUNTRIES.

THE FUNCTIONS REPRESENTED HERE ON THIS CHART ARE KEY TO AMERICA'S ABILITY TO DEAL WITH THE WORLD. THE U.S. GOVERNMENT SHOULD PROVIDE THE MEANS TO MEET OUR RESPONSIBILITIES IF WE ARE GOING TO CONTINUE TO PROFIT BY THEM FOR THE BENEFIT OF OUR GREAT NATION.

THE BENEFITS OF OUR OPEN RELATIONSHIPS WITH MANY REGIONS OF THE WORLD, WHETHER LATIN AMERICA OR ELSEWHERE, TAKE VARIOUS FORMS. THEY CAN SOMETIMES BE MEASURED IN CLEAR ECONOMIC TERMS. SOME 375,000 JOBS EXIST TODAY BECAUSE WE CONDUCT FOREIGN MILITARY

SALES, THOUGH WE CONDUCT THEM ONLY IN SUPPORT OF OUR FOREIGN POLICY AND OUR DEFENSE OBJECTIVES. BUT OUR OBJECTIVES ARE ON A MUCH BROADER PLANE:

- FIRST, WE WANT TO PROMOTE DEMOCRACY BECAUSE DEMOCRATIC GOVERNMENTS ARE LESS LIKELY TO BECOME INVOLVED IN WARS OF AGGRESSION.
- SECOND, WE WANT TO MAINTAIN AN OPEN, STABLE WORLD ECONOMY AND FREE ENTERPRISE SO THAT WE CAN EXPAND OUR EXPORTS AND INVESTMENT.
- FINALLY, BY PROVIDING ASSISTANCE TO FRIENDS AND ALLIES, WE SEEK TO PREVENT REGIONAL CONFLICTS THAT THREATEN OUR INTERESTS, AND TO ENHANCE THE INTERNAL STABILITY OF FRIENDLY NATIONS. SHOULD CONFLICTS OCCUR, WE SEEK TO RESOLVE THEM BY HELPING OUR FRIENDS, RATHER THAN RESORT TO THE USE OF AMERICAN COMBAT FORCES.

CHART 2: THE PRESIDENT'S FY1988 BUDGET REQUEST

ALL TOO OFTEN THE DEBATE ON HOW TO DIVIDE UP THE PIE OF BUDGET RESOURCES REVOLVES AROUND THE SPLIT BETWEEN DOMESTIC PROGRAMS AND DEFENSE. AS THIS CHART SHOWS, INTERNATIONAL AFFAIRS FUNDING IS ONLY A TINY PROPORTION OF THE TOTAL REQUEST, AND TENDS TO BE SQUEEZED OUT IN THE LARGER DEBATE. CLEARLY, WITHOUT ADEQUATELY FUNDED DOMESTIC PROGRAMS, THE FUNDAMENTAL NEEDS OF OUR

SOCIETY AND THE INDIVIDUAL WILL NOT BE MET. FAILURE TO DO SO WOULD NOT ONLY DEPRIVE OUR PEOPLE BUT WOULD NOT ALLOW US TO HAVE ADEQUATE DEFENSES NOR CONDUCT SUCCESSFUL FOREIGN AFFAIRS. EACH OF THESE BROAD CATEGORIES OVERLAP AND COMPLEMENT EACH OTHER. SURELY ONE CANNOT BE INCREASED AT THE EXPENSE OF ANOTHER WITHOUT PAYING A PRICE, NOR CAN ONE OF THEM BE UNDULY WEAKENED FOR ALL THREE WILL BE JEOPARDIZED.

ALL THE INTERNATIONAL AFFAIRS FUNCTIONS SHOWN ON THE PREVIOUS CHART CONSUME ONLY 1.7 PERCENT OF THE TOTAL BUDGET REQUEST. THE MILITARY PORTION OF THE 150 ACCOUNT REPRESENTS ONLY ONE HALF OF ONE PERCENT OF THE FEDERAL BUDGET REQUEST. THE LATIN AMERICAN PORTION OF THE ENTIRE INTERNATIONAL AFFAIRS BUDGET ACCOUNTS FOR ONLY A TOTAL OF .14 PERCENT OF WHICH .12 PERCENT IS ECONOMIC AND A MERE .02 PERCENT IS MILITARY. THIS IS A SMALL INVESTMENT THAT WILL RETURN SUBSTANTIAL DIVIDENDS TO THE AMERICAN PEOPLE. SIMILARILY THE SMALL AMOUNT IN THE FY87 SUPPLEMENTAL, ONLY $40 MILLION OR 9 PERCENT OF THE TOTAL, WILL GO TO EL SALVADOR, HONDURAS, AND GUATEMALA. WE NEED THE WHOLE SUPPLEMENTAL, INCLUDING THIS SMALL BUT IMPORTANT CONTRIBUTION TO LATIN AMERICA.

GIVEN THE CONSTRAINTS IMPOSED BY GRAMM-RUDMAN-HOLLINGS TARGETS, THE SECDEF AGREED THIS YEAR TO A MODEST GROWTH IN THE DEFENSE BUDGET OF ONLY THREE PERCENT, WITH THE FULL UNDERSTANDING THAT WE WILL BE RELYING EVEN MORE ON OUR FRIENDS AND ALLIES AROUND THE WORLD. SO IT IS ESPECIALLY IMPORTANT THIS YEAR THAT

CONGRESS SUPPORT THE PRESIDENT'S FY1988 REQUEST FOR SECURITY ASSISTANCE. THE INCREASE OF ONLY ABOUT $800 MILLION WILL BARELY BEGIN TO REPAIR THE DAMAGE DONE BY A TWO-YEAR CUT TO THE SECURITY ASSISTANCE BUDGET THAT AMOUNTED TO ALMOST 26 PERCENT IN REAL TERMS. IF FURTHER CONGRESSIONAL CUTS ARE MADE FOR FY1988, THEY WILL NOT SIMPLY BE BUDGET CUTS, BUT WILL FORCE DRASTIC CHANGES IN OUR FOREIGN AND DEFENSE POLICIES--CHANGES THAT A VAST MAJORITY OF CONGRESS WOULD BE VERY UNCOMFORTABLE WITH--TO COMPENSATE FOR REDUCED ALLIED CAPABILITIES, UNQUESTIONABLY A GREATER U.S. DEFENSE EFFORT WOULD BE REQUIRED.

CHART 3: ACCOMPLISHMENTS

MR. CHAIRMAN, IT IS IMPORTANT TO UNDERSTAND WHERE WE HAVE BEEN, WHERE WE ARE NOW, AND WHAT IS REQUIRED TO GET BACK ON TRACK. FIRST, FROM FY1981 THROUGH FY1985 THE CONGRESS PROVIDED RISING APPROPRIATIONS AT IMPROVED TERMS TO MEET GOALS THAT CONGRESS AND THE ADMINISTRATION AGREED UPON. FOR INSTANCE, CONSIDERABLE CONSENSUS BETWEEN THE ADMINISTRATION AND CONGRESS WAS ACHIEVED ON THE KEY ISSUES OF CENTRAL AMERICA, THE MIDDLE EAST, AND PAKISTAN. THE ADMINISTRATION THEN MADE MANAGEMENT IMPROVEMENTS AIMED AT MAKING MORE EFFICIENT USE OF APPROPRIATED FUNDS.

WITH THESE INSTRUMENTS IN HAND, THE ADMINISTRATION WORKED CLOSELY WITH FRIENDLY COUNTRIES TO EXPAND DIALOGUES, TO PLAN AND CARRY OUT PROGRAMS IN WAYS THAT RESPONDED TO COUNTRIES' DEFENSE NEEDS, AND TO ADDRESS ECONOMIC DIFFICULTIES CAUSED BY EFFORTS TO

MEET THOSE NEEDS. THE NUMBER OF COUNTRIES RECEIVING ASSISTANCE GREW, AS DID THE NUMBER OF STUDENTS RECEIVING U.S. MILITARY TRAINING.

THESE PROGRAMS HAVE BEEN RESPONSIBLE FOR STRIKING RESULTS IN DETERRING OR RESOLVING CONFLICTS, IN IMPROVING BILATERAL RELATIONS, IN ENHANCING THE WORLDWIDE POSTURE OF U.S. FORCES AND, OVERALL, IN CONTRIBUTING TO A MORE SECURE WORLD. THE RESULTING WORLDWIDE PROGRAM ENCOURAGED A NEW FEELING OF CONFIDENCE IN THE UNITED STATES IN COUNTRIES THREATENED BY THE SOVIET UNION OR OTHERS. YET, MANY CHALLENGES TO OUR INTERESTS REMAIN, CHALLENGES WHICH CAN ONLY BE MET WITH RESOURCES THAT ALLOW U.S. COMMITMENT AND CONTINUITY FROM YEAR TO YEAR.

AS WE STATED LAST YEAR, THE LINKAGE BETWEEN FOREIGN ASSISTANCE AND U.S. NATIONAL INTERESTS -- AND BETWEEN DEMOCRACY AND ECONOMIC OPPORTUNITY -- HAS NOWHERE BEEN BETTER ILLUSTRATED THAN IN LATIN AMERICA. THE LAST SIX YEARS HAVE SHOWN REMARKABLY POSITIVE DEMOCRATIC DEVELOPMENTS AND THE REJECTION BY THE MAJORITY OF PEOPLE OF THE TOTALITARIAN LEFT AND RIGHT. POLITICAL, ECONOMIC, AND BASIC SECURITY SECTORS HAVE ALL SHOWN IMPROVEMENT.

PREVIOUSLY THE REGION WAS WRACKED WITH INTERNAL VIOLENCE, ESPECIALLY IN EL SALVADOR. MILITARY REGIMES WERE THE NORM. TOTALITARIAN SUBVERSION AND WARFARE WERE SPREADING. TODAY WE SEE THE BURGEONING OF DEMOCRACY THROUGHOUT THE REGION. INTERNAL

VIOLENCE, WHILE STILL A SEVERE PROBLEM, IS ON THE DECLINE. THE ECONOMIC PROBLEMS OF THE PAST SEEMED OVERWHELMING. TODAY THE DETERIORATION HAS BEEN HALTED IN PART BECAUSE OF OUR AID AND INFLUENCE, WHICH COMPLEMENT THE EFFORTS OF THE LOCAL GOVERNMENTS. THE DEBT PROBLEM, WHILE STILL A CHALLENGE, IS BEING ADDRESSED. IN THE AREA OF BASIC SECURITY, WE PREVIOUSLY FOUND EL SALVADOR UNDER SIEGE WITH VIOLENCE FROM ALL QUARTERS INCREASING AND SPREADING IN A SEEMINGLY UNSTOPPABLE WAR. TODAY, THE WAR HAS BEEN TURNED AROUND, AND THE PEOPLE OF EL SALVADOR HAVE HEROICALLY EMBRACED DEMOCRACY UNDER THE LEADERSHIP OF PRESIDENT DUARTE. WE CAN JUSTLY SHARE THE PRIDE OF THE PEOPLE OF LATIN AMERICA IN THESE ACCOMPLISHMENTS. YET, DEMOCRACY IT STILL A FRAGILE PLANT THAT MUST BE NURTURED. CONTINUING TO WORK WITH THESE COUNTRIES TO MAINTAIN PROFESSIONAL MILITARY FORCES WHICH TAKE PRIDE IN THEIR ROLE AS THE GUARDIANS OF DEMOCRATIC INSTITUTIONS IS A CRUCIAL CHALLENGE FOR THE U.S TODAY.

CHART 4: FMSCR & MAP FY1981-FY1987

SHOWN HERE IS THE HISTORY OF THE MILITARY PORTION OF SECURITY ASSISTANCE FUNDING OVER THE LAST SEVEN YEARS. WE HAVE PLACED ISRAEL AND EGYPT ON TOP TO EMPHASIZE THE RISING TREND IN CONTRAST TO A SEVERE DOWNWARD TREND FOR THE REST OF THE WORLD. IN RECOGNITION OF FOREIGN POLICY NEEDS AND THE NEED TO DEFEND THE FREE WORLD, FUNDING ROSE STEADILY FROM FY1981 THROUGH FY1984. THE RISE WAS MOSTLY IN EUROPE, EGYPT, ISRAEL AND PAKISTAN.

GROWTH WAS SIGNIFICANT ELSEWHERE, ALTHOUGH THE PROGRAMS ARE MUCH SMALLER. TO OBTAIN MORE CONCESSIONALITY, THE FY1985 FMS CREDIT PROGRAM WAS PUT ALL ON-BUDGET. THE FUNDING WAS DROPPED BY $688 MILLION TO MAKE THIS POSSIBLE.

IN FY1986, EGYPT AND ISRAEL WERE RESTORED NEARLY TO PREVIOUS LEVELS, BUT THE SIZE OF THE TOTAL APPROPRIATION WAS NOT RESTORED, AND THIS DEPRESSED FUNDS FOR THE REST OF THE WORLD. THEN AGAIN IN FY1987, EGYPT AND ISRAEL WERE INCREASED SLIGHTLY, WHILE THE SIZE OF THE TOTAL APPROPRIATION WAS REDUCED APPROXIMATELY 14 PERCENT FROM ACTUAL FY1986 LEVELS. WHAT IS OF TREMENDOUS CONCERN TO US IS THE COMPRESSION OF THE RESOURCES PROVIDED TO THE REST OF THE WORLD WHERE WE HAVE VAST AND IMPORTANT INTERESTS. THE REST OF THE WORLD HAD TO ABSORB NEARLY A 40 PERCENT REDUCTION. IN LATIN AMERICA, THE FY 1987 APPROPRIATION RESULTED IN A 9.6 PERCENT REDUCTION FROM THE ACTUAL LEVELS OF FY 1986 -- AND THIS FOLLOWED A 13.6 PERCENT REAL REDUCTION THE PREVIOUS YEAR. IN FY87 WE WERE ABLE TO SOMEWHAT PROTECT LATIN AMERICA; BUT IF WE DO NOT RECEIVE ADEQUATE RESOURCES IT WILL BE MUCH MORE DIFFICULT TO DO SO IN THE FUTURE.

CHART 5: IMPACT OF EARMARKS

THESE TWO PIE-CHARTS REFLECT CONGRESSIONAL ACTION IN FY1987 TO EARMARK ISRAEL, EGYPT, TURKEY, GREECE AND PAKISTAN. THESE

ALLOCATIONS CONSUME ALMOST 86 PERCENT OF OUR TOTAL MILITARY ASSISTANCE RESOURCES IN FY1987. WE ARE NOT SUGGESTING THESE COUNTRIES DO NOT NEED THE RESOURCES; THEY DO. TURKEY, IN PARTICULAR, NEEDS SUBSTANTIALLY MORE. BY FAR THE MOST IMPORTANT MESSAGE OF THIS CHART IS THAT IN THE REST OF THE WORLD BEYOND THE EARMARKED COUNTRIES, 19 COUNTRIES WERE CUT MORE THAN 50 PERCENT AND OTHERS 100 PERCENT. TO GIVE THE CONGRESS CREDIT, IT WORKED HARD IN THE CONTINUING RESOLUTION TO GIVE US HIGHER QUALITY AID. THIS EFFORT RESULTED IN MORE MAP--$900 MILLION, UP FROM $798 MILLION IN FY1986. BUT WHAT CONGRESS DID WAS TO CHANGE CREDITS TO MAP RATHER THAN APPROPRIATE MORE MAP.

CHART 6: REDUCTIONS FROM FY1986

THIS MAP SHOWS THE WORLDWIDE ALLOCATIONS OF THE FY1987 APPROPRIATIONS. EACH PIE CHART IS SIZED RELATIVE TO ACTUAL FY1986 LEVELS, WHICH THEMSELVES WERE LOWER THAN FY1985 LEVELS. FOR A SENSE OF THE SCALE OF THE PIE CHARTS, RECALL THAT ISRAEL REPRESENTS $1.8 BILLION AND NORTH YEMEN ABOUT $2 MILLION. THE GREEN SLICES REPRESENT INCREASES, WHILE THE RED SLICES INDICATE REDUCTIONS FROM FY1986.

GIVEN THAT 86 PERCENT OF THE APPROPRIATION WAS EARMARKED, THE ADMINISTRATION FACED PAINFUL CHOICES DURING THE ALLOCATION PROCESS. THERE WAS NO ACCEPTABLE SOLUTION. THE RESOURCES SIMPLY WERE NOT THERE. AFTER EXTENSIVE AND AGONIZING EXAMINATION, WE

CONCLUDED THAT WITH THE EXCEPTION OF KOREA, WE COULD NOT TERMINATE ASSISTANCE TO FRIENDS AND ALLIES. WE COULD ALLOCATE ONLY $50 MILLION TO PHILIPINES. HAD WE FUNDED THE PHILIPINES TO $100 MILLION WE WOULD HAVE HAD TO NEARLY ZERO OUT SUB-SAHARA AFRICA OR TAKE FAR MORE FROM LATIN AMERICA. INSTEAD WE CHOSE TO WORK TO SUSTAIN AMERICA'S FOREIGN POLICY AND DEFENSE STRATEGY TO THE EXTENT WE COULD.

AS YOU CAN SEE MANY OF OUR FRIENDS AND ALLIES SUFFERED SEVERE CUTS, ESPECIALLY BASE RIGHTS AND ACCESS COUNTRIES. IN LATIN AMERICA WHEN COMPARED TO FY86, WE WERE ABLE LARGELY TO PROTECT EL SALVADOR AND HONDURAS. THE REST OF THE REGION WAS REDUCED BY 36 PERCENT FROM FY1986 LEVELS, WHICH WERE ALREADY TOO LOW. WE HAVE WANTED TO BEGIN SERIOUS DRUG RELATED PROGRAMS, BUT LACKED THE TOTAL MONEY FOR MILITARY ASSISTANCE TO FUND THIS IMPORTANT OBJECTIVE ADEQUATELY. IT IS IMPORTANT TO NOTE THAT OTHER AGENCIES SUCH AS DEA AND INM IN THE STATE DEPARTMENT WORK WITH LOCAL POLICE FORCES AGAINST THE DRUG TRADE. WE COOPERATE WITH THEM AND SUPPORT THEM. BUT WE NEED TO WORK WITH PROFESSIONAL MILITARY FORCES AND THE FLEXIBILITY TO PLAN WITH THOSE FORCES FOR THE BEST USE OF FUNDS.

BEFORE I LEAVE THIS CHART, MR. CHAIRMAN, I WANT TO SAY THAT ALL OF US HERE TODAY SHOULD REALIZE THAT THE RELIABILITY OF THE UNITED STATES AS A PARTNER AND A SOURCE OF STRENGTH IS NOW BEING QUESTIONED. SOME OF OUR TRADITIONALLY MODERATE FRIENDS CANNOT HELP BUT RECONSIDER THEIR RELATIONS WITH MORE RADICAL STATES. WE

MAY SEE SOME AGGRESSORS REOPEN CONFLICTS WHICH HAD BEEN CONSTRAINED. OUR ABILITY TO INFLUENCE EVENTS WILL BE SERIOUSLY AFFECTED AND THE REPERCUSSIONS WILL BE SEVERE UNLESS THE UNITED STATES PROVIDES THE RESOURCES AND EQUIPMENT REQUIRED TO SHORE UP DETERRENCE.

CHART 7: FMS CREDITS AND MAP FY1981-FY1988

IN THIS CHART WE SHOW HOW THE BUDGET PROPOSES TO ADDRESS THE SEVERE SHORTFALLS I HAVE DESCRIBED, THROUGH A $1.3 BILLION SUPPLEMENTAL FOR FOREIGN AFFAIRS OF WHICH $461 MILLION IS FOR MILITARY ASSISTANCE. THE BAR BEHIND THE ONE REPRESENTING THE FY1987 APPROPRIATION SHOWS HOW THE FY1987 SUPPLEMENTAL ADDS TO THE FY1987 APPROPRIATION. WE PUT HIGH VALUE ON ADDING BACK $50 MILLION TO THE PHILIPPINES. A LARGE PORTION OF THE INCREASE IS TO STRENGTHEN NATO--$355 MILLION.

THE FY1988 REQUEST IS IN FACT A MODEST REQUEST SENSITIVE TO THE TIGHT BUDGET ATMOSPHERE. WHILE IT ASKS FOR $811 MILLION MORE FOR FMS CREDITS AND MAP THAN WE RECEIVED IN FY1987, IT IS 13.7 PERCENT LESS THAN THE PRESIDENT'S FY1987 REQUEST AND APPROXIMATELY THE SAME AS FY1986 ACTUAL LEVELS. IT ATTEMPTS TO CORRECT SHORTFALLS IN THE SAME AREAS THAT THE FY1987 SUPPLEMENTAL ADDRESSES; THREE-QUARTERS OF THE PROPOSED INCREASE IS FOR THE NATO SOUTHERN REGION COUNTRIES. AS NOTED EARLIER, WE WERE ABLE TO PROTECT EL SALVADOR AND HONDURAS TO A CERTAIN EXTENT AT THE EXPENSE

OF OTHER REGIONS. EVEN THIS EFFORT WAS ONLY SUFFICIENT FOR FY 1987, ASSUMING THAT CONGRESS GRANTS THE PRESIDENT'S FY 1987 SUPPLEMENTAL REQUEST. FAILURE TO GRANT THE SUPPLEMENTAL OR A CONTINUED CUT BELOW THE FY 1988 REQUEST RISKS THE DRAMATIC ACCOMPLISHMENTS WE CAN CITE FOR THIS PROGRAM.

CHART 8: FY87 REDUCTIONS

THIS CHART ALSO DEPICTS PROGRAM REDUCTIONS. THE PREVIOUS CHART SHOWED FY86 REDUCTIONS FROM A WORLDWIDE PERSPECTIVE - THIS CHART SHOWS THE RELATIONSHIP BETWEEN OUR FY87 REQUEST AND OUR ALLOCATION FOR LATIN AMERICA. AS YOU CAN SEE, THE REDUCTIONS IN OUR PROGRAMS RANGE FROM 15 PERCENT FOR EL SALVADOR TO 86 PERCENT FOR THE ANDEAN NATIONS. THE HUGE REDUCTIONS AND THEIR IMPACT ON PROGRAMS ARE THE REASON FOR AN FY87 SUPPLEMENTAL AND THE FY88 REQUEST FOR LATIN AMERICA. WE MUST HAVE BOTH IF WE ARE TO PROVIDE OUR FRIENDS WITH THE RESOURCES NECESSARY TO MEET THEIR THREATS AND PROTECT OUR INTERESTS.

CHART 9: LATIN AMERICA

ON THIS CHART, THERE IS A LEGEND ON THE LOWER LEFT HAND THAT IS COLOR CODED TO SHOW THE SOVIET OR SOVIET-SUPPORTED THREATS AND COUNTRIES FACING CONFLICT. SHOWN ALSO IS WHERE WE HAVE WHAT IS COMMONLY REFERRED TO AS BASE RIGHTS AND ACCESS, OR WHERE THE DRUG

PROBLEM IS GROWING, AND WHERE WE SUPPORT DEMOCRACY. ON THE OPPOSITE SIDE OF THE CHART ARE SHOWN THE FY1987 ALLOCATIONS, THE PROPOSED SUPPLEMENTAL AND THE PRESIDENT'S REQUEST FOR FY1988 OF A REPRESENTATIVE SET OF COUNTRIES.

IN LATIN AMERICA, THE THREATS ARE ONLY TOO WELL KNOWN--THE DESTABILIZING EFFORTS OF CUBA AND NICARAGUA, INSPIRED AND SUPPORTED BY THE SOVIET UNION. EVERY COUNTRY IN CENTRAL AMERICA IS THREATENED BY SOVIET INSPIRED TERRORIST ORGANIZATIONS. WE ALSO CONFRONT THE INCREASING PROBLEM OF NARCOTICS TRAFFICKING AND ASSOCIATED VIOLENCE, AS SHOWN IN YELLOW. THE FY1987 SUPPLEMENTAL AND FY1988 BUDGET REQUESTS ARE NEEDED SIMPLY FOR COUNTRIES TO PRESERVE PROGRESS MADE TO DATE. IN THE FY1988 REQUEST WE HAVE ADDED $3 MILLION TO EL SALVADOR AND $20 MILLION TO HONDURAS, ABOVE THAT WHICH WE WERE ABLE TO ALLOCATE IN FY87. WE HAVE ALSO ASKED FOR $17.5 MILLION FOR EACH IN THE SUPPLEMENTAL.

TO CONFRONT THE DRUG AND TERRORIST PROBLEMS THE PRESIDENT HAS REQUESTED A TOTAL OF $27.5 MILLION TO BOLIVIA, COLOMBIA, ECUADOR, URUGUAY, AND PERU--NOT MUCH GIVEN THE CIRCUMSTANCES, BUT ALL THAT CAN BE PROVIDED THIS YEAR.

$8.0 MILLION TO BOLIVIA WILL PROVIDE PATROL BOATS, SPARES SUPPORT FOR HELICOPTER TRAINING, GROUND VEHICLES, AND COMMUNICATION GEAR. $7.5 MILLION IS REQUESTED FOR COLOMBIA HELICOPTERS, AN AC47 AIRCRAFT, AVIATION SPARE PARTS SUPPORT, AND TRAINING. $7.5 MILLION IS REQUESTED FOR ECUADOR FOR THE PROCUREMENT OF HELICOPTERS/SPARE

PARTS, GROUND TRANSPORTATION, COMMUNICATION EQUIPMENT, AMMUNITION, AND TRAINING. PERU IS PROGRAMMED TO RECEIVE $3.0 MILLION FOR THE PROCUREMENT OF AIRCRAFT SPARE PARTS AND COMMUNICATION EQUIPMENT. $1.5 MILLION HAS BEEN REQUESTED FOR URUGUAY FOR ONE HELICOPTER, GROUND VEHICLE SPARE PARTS, MAINTENANCE SUPPORT EQUIPMENT, AND PUBLICATIONS.

TO CONFRONT THE DRUG PROBLEMS AND POTENTIAL FOR LEFTIST-BACKED MISCHIEF IN THE CARIBBEAN, WE HAVE REQUESTED $19.0 MILLION TO THE EASTERN CARIBBEAN, DOMINICAN REPUBLIC, HAITI, AND JAMAICA. $7.0 MILLION HAS BEEN REQUESTED FOR THE EASTERN CARIBBEAN FOR PATROL BOAT SUPPORT, LOGISTICAL SUPPORT, EQUIPMENT UPGRADES FOR THE SPECIAL SECURITY UNITS (SSUs) AND DEFENSE FORCES, EXERCISES, AND TRAINING. THE DOMINICAN REPUBLIC HAS BEEN PROGRAMMED TO RECEIVE $2.0 MILLION FOR SUSTAINMENT OF VEHICLE AND PATROL BOAT SPARE PARTS. $6.0 MILLION HAS BEEN REQUESTED FOR JAMAICA FOR SUSTAINMENT OF PATROL BOAT, HELICOPTER, AND FIXED WING AIRCRAFT SPARE PARTS/MAINTENANCE CONTRACTS, COMMUNICATION EQUIPMENT, AND INDIVIDUAL EQUIPMENT. $4.0 HAS BEEN REQUESTED FOR HAITI FOR GROUND TRANSPORTATION UPGRADE, PATROL BOAT AND FIXED WING AIRCRAFT SPARE PARTS, COMMUNICATIONS EQUIPMENT, INDIVIDUAL EQUIPMENT, AND TRAINING. THE $2 MILLION FY87 ALLOCATION FOR GUATEMALA WILL BE USED TO PROCURE SPARE PARTS FOR THEIR UNARMED HELICOPTER FLEET, LENSATIC COMPASSES, MEDICAL ITEMS AND PERSONAL EQUIPMENT.

THE $5 MILLION REQUESTED IN THE FY87 SUPPLEMENTAL WILL ALLOW GUATEMALA TO PURCHASE ADDITIONAL SPARE PARTS THAT ARE REQUIRED AND ENGINEERING EQUIPMENT AND MEDICAL SUPPLIES. THE FY88 PROGRAM OF $7 MILLION WILL ALLOW US TO CONTINUE TO IMPROVE GROUND AND AIR MOBILITY WITH PRIORITY ON COMMUNICATIONS EQUIPMENT, VEHICLES, SPARE PARTS AND MEDICAL SUPPLIES.

OUR EMPHASIS IN THE PAST TWO YEARS FOR HONDURAS HAS FOCUSED ON ENHANCING EXISTING FORCES BY USING A COMBINATION OF TRAINING, REPAIR OF EXISTING EQUIPMENT AND THE SELECTIVE ADDITION OF NEW EQUIPMENT. THE $17.5M SUPPLEMENTAL REQUEST FOR HONDURAS IS CRITICAL TO THE SUSTAINMENT OF THE HONDURAN ARMED FORCES. THE SUPPLEMENTAL FUNDING WILL ALSO BE USED TO FUND AIR DEFENSE EQUIPMENT FOR THE HONDURAN ARMY. THE HONDURAN DETERRENCE OF SANDINISTA AGGRESSION HAS DEPENDED UPON THE AIR SUPERIORITY OF THE HONDURAN AIR FORCE. TO HELP MAINTAIN THIS SUPERIORITY, WE INTEND TO HELP THEM ACQUIRE A REPLACEMENT FIGHTER AIRCRAFT FOR THEIR AGING SUPER MYSTERES. THE PURCHASE OF A REPLACEMENT FIGHTER WILL CONSTITUTE A MAJOR ITEM OF NEW EQUIPMENT IN THE HONDURAN AIR FORCE INVENTORY.

BECAUSE WE HAVE NOT RECEIVED A DECISION FROM THE GOVERNMENT OF HONDURAS OUR ASSISTANCE TO THIS POINT HAS BEEN TO PROVIDE INFORMATION CONCERNING COSTS, INFRASTRUCTURE AND TRAINING REQUIREMENTS.

CHART 10: FY87 EL SALVADOR PROGRAM

FACED WITH ONE OF THE MAJOR ACTIVE COMMUNIST THREATS IN THE REGION, EL SALVADOR CONTINUES TO BE A FOCAL POINT FOR OUR EFFORTS IN CENTRAL AMERICA. OUR MILITARY PROGRAMS IN THE PAST HAVE LED TO AN IMPROVED MILITARY CAPABILITY COUPLED WITH INCREASED SENSITIVITY BY THE MILITARY TO THE SOCIAL AND POLITICAL ISSUES WHICH ARE CENTRAL TO AN INSURGENT WAR. OUR PROGRAMS ARE COMBINED WITH ECONOMIC SUPPORT FUND (ESF) AND A.I.D. PROGRAMS TO IMPROVE THE SOCIAL, ECONOMIC AND TRANSPORTATION INFRASTRUCTURE OF THE COUNTRY. THE OCTOBER 1986 EARTHQUAKE CAUSED SIGNIFICANT DISRUPTION IN THESE LATTER EFFORTS. INTEGRATED MILITARY AND CIVILIAN PROGRAMS HAVE ENABLED THE EL SALVADORAN GOVERNMENT TO INITIATE EFFECTIVE MILITARY OPERATIONS AGAINST PREVIOUSLY INSURGENT-DOMINATED AREAS. THESE OPERATIONS HAVE BEEN COMBINED WITH CIVIC ACTION AND ECONOMIC PROGRAMS THAT DEMONSTRATE BOTH THE GOVERNMENTS ABILITY AND ITS INTENTION TO PROVIDE FOR AND PROTECT ITS CITIZENS.

THIS CHART DEPICTS FY87 MAP REQUIREMENTS COMPARED TO THE $115M ALLOCATION EL SALVADOR RECEIVED THIS YEAR. THE PREPONDERANCE OF THE $17.5M SUPPLEMENTAL WILL BE ALLOCATED TO THE RECONSTRUCTION OF FACILITIES DESTROYED IN THE OCTOBER 1986 EARTHQUAKE. A COUNTRY-WIDE ANALYSIS BY THE US ARMY CORPS OF ENGINEERS IDENTIFIED THE NEED FOR BETWEEN $75 AND $100 MILLION DOLLARS TO FULLY RESTORE THE DAMAGE DONE TO TROOP QUARTERS, COMMAND CENTERS, AND SUPPORT FACILITIES. REPORTS FROM OUR MILITARY PERSONNEL INDICATE THAT THE SOLDIERS ARE LIVING AND WORKING IN ESSENTIALLY FIELD CONDITIONS AS

A RESULT OF THE EARTHQUAKE DAMAGE, AND WE MUST COMMENCE THE RE-BUILDING EFFORT. TO REGAIN EFFECTIVENESS, THE REMAINING FUNDS WILL BE USED TO MEET CONTINUING SUSTAINMENT REQUIREMENTS SUCH AS LOGISTICAL SUPPORT, AMMUNITION, AND MEDICAL SUPPORT.

CHART 11: FY88 EL SALVADOR PROGRAM

OUR EL SALVADOR REQUEST FOR FY88 IS BASED ON THE ASSUMPTION THAT THE $17.5 MILLION SUPPLEMENTAL REQUEST WILL BE FUNDED. THE FY88 PROGRAM REQUIREMENTS ARE BASED ON MORE EARTHQUAKE RECONSTRUCTION, HOWITZERS, AND MAINTAINING THE FORCE AS BEST WE CAN. IT IS THE MINIMUM REQUIREMENT TO ENABLE THE ESAF TO MAINTAIN THEIR CAPABILITY AND THE READINESS TO CARRY THE WAR TO THE COMMUNIST INSURGENTS WHO ARE DETERMINED TO DEFEAT DEMOCRACY THROUGH INTIMIDATION AND ECONOMIC DESTRUCTION.

OUR PROGRAM IS DESIGNED TO SUPPORT CURRENT COMBAT OPERATIONS WITH AN EXPANSION OF THE SUPPLY AND MAINTENANCE SERVICES NECESSARY TO MAINTAIN THE OPERATIONAL CAPABILITIES OF THEIR ARMED FORCES. WE WILL CONTINUE OUR TRAINING PROGRAMS DIRECTED NOT ONLY AT TECHNICAL MILITARY SKILLS, BUT ALSO AT THE CIVIL-MILITARY SKILLS NECESSARY TO A PROFESSIONAL MILITARY THAT SUPPORTS DEMOCRACY.

WE MUST NOT BECOME COMPLACENT ABOUT CENTRAL AMERICA, THE CARIBBEAN, AND THE ANDEAN NATIONS. THESE AREAS CONTINUE TO SUFFER SEVERE ECONOMIC AND SECURITY CRISES. FUNDAMENTAL ECONOMIC

AND SOCIAL PROBLEMS REMAIN MAJOR CAUSES OF INTERNAL UNREST, PROVIDING A FERTILE ATMOSPHERE FOR EXTERNALLY-INSPIRED SUBVERSION.

FROM THE MILITARY POINT OF VIEW, CENTRAL AMERICA IS CRITICAL TO U.S. STRATEGIC INTERESTS, AND THE VERY EXISTENCE OF CUBA AND ITS SOVIET-SUPPORTED FORCES ARE OF GREAT CONCERN. NEITHER CAN WE TOLERATE NICARAGUA BECOMING ANOTHER CUBA. WE ARE CONCERNED ABOUT THE PRESENT AND FUTURE DEFENSE OF THE PANAMA CANAL, A VITAL LINK IN THE USE OF OUR SEA LANES FOR THE DEFENSE OF EUROPE AND PROTECTION OF U.S. ECONOMIC AND SECURITY INTERESTS IN THE PACIFIC.

NEARLY ALL THE MAJOR COUNTRIES HAVE MOVED AWAY FROM MILITARY TO DEMOCRATIC GOVERNMENTS. IT REMAINS IMPORTANT TO THE UNITED STATES TO PROMOTE THESE DEMOCRACIES WITH THE HELP OF LIMITED SECURITY ASSISTANCE TO SUPPORT THEIR MILITARIES TO PURSUE A PROFESSIONAL COURSE.

CHART OFF

MR. CHAIRMAN, AN IMPORTANT AND SOMETIMES CONTROVERSIAL ISSUE IS OUR ARMS TRANSFER POLICY. WE NEED TO CONTINUE TO MEET THE LEGITIMATE REQUESTS FOR THE SALE OF MILITARY EQUIPMENT TO FRIENDS AND ALLIES. IN THE PAST WE HAVE SEEN THAT OUR FAILURE TO PROVIDE EQUIPMENT TO FRIENDS SIMPLY FORCES THEM TO SEEK THE NEEDED EQUIPMENT ELSEWHERE, WHETHER FROM THE SOVIET UNION OR A WESTERN

SUPPLIER. SUCH DENIALS ON OUR PART HAVE SEVERAL BAD RESULTS FOR AMERICAN INTERESTS AND OBJECTIVES. FIRST, OUR FRIENDS AND ALLIES BEGIN TO SEE THE UNITED STATES AS AN UNRELIABLE PARTNER. SECOND, WE BEGIN TO ERODE CLOSE MILITARY-TO-MILITARY RELATIONS THAT HAVE SOMETIMES BEEN BUILT UP OVER DECADES. BY DENYING LEGITIMATE REQUESTS, WE RISK ERODING THAT GOVERNMENT'S ABILITY TO COOPERATE WITH US. WE LOSE THE BENEFIT OF THE STRICT CONTROLS, THE MOST STRINGENT IN THE WORLD, THAT WE ALWAYS PLACE ON THE USE OF MILITARY EQUIPMENT. WE HAVE AN EXCELLENT RECORD IN THIS REGARD. EVEN IN THE VOLATILE MIDDLE EAST, NO ARAB COUNTRY HAS ATTACKED ISRAEL USING AMERICAN EQUIPMENT, AND I KNOW OF NO OTHER PLACE WHERE U.S. EQUIPMENT HAS BEEN USED OFFENSIVELY. OTHERS CANNOT MAKE SUCH A CLAIM. WE MUST ALSO UNDERSTAND THAT ILL-FOUNDED REFUSALS TO PROVIDE EQUIPMENT NEEDED FOR LEGITIMATE DEFENSE WORSENS OUR BALANCE OF TRADE POSITION, MEANS FEWER JOBS IN AMERICA AND REDUCES OUR PRODUCTION BASE. WE ALSO MISS THE OPPORTUNITY OF LOWER WEAPON SYSTEM COST FOR OUR FORCES WHEN WE DENY LEGITIMATE SALES. I HAVE IN MIND THE MANY BILLIONS OF TRADE AND NUMEROUS JOBS LOST WHEN SAUDI ARABIA WAS FORCED TO PROCURE AIRCRAFT FROM ANOTHER SUPPLIER. THERE WILL BE MANY MORE INSTANCES IF HR 898 RECEIVES SYMPATHY IN CONGRESS.

FOR ALL THESE REASONS, THE PROPOSED HR 898, ALSO KNOWN AS THE BIDEN-LEVINE AMENDMENT, CANNOT ACHIEVE A USEFUL RESULT. TO THE CONTRARY, IT WILL SIMPLY MAKE US LESS EFFECTIVE, PRIMARILY IN

THE MIDDLE EAST AND LATIN AMERICA WHERE THE STAKES FOR THE U.S. ARE SO HIGH. FURTHERMORE, SHOULD HR 898 BECOME LAW, IT WOULD BE UNWORKABLE. A PRELIMINARY EXAMINATION OF ITS APPLICATION OVER THE LAST THREE YEARS INDICATES THAT IF HR 898 HAD BEEN IN EFFECT, CONGRESS WOULD HAVE FACED PASSING MAYBE OVER ONE HUNDRED SEPARATE LAWS TO ALLOW US TO SELL EVEN AT RECENT LOW LEVELS OF ACTIVITY. I TRUST, MR. CHAIRMAN, THAT AS THIS COMMITTEE CONSIDERS THE IMPLICATIONS OF THIS NEW AND UNWARRANTED APPROACH TO THE EXISTING LEGISLATION GOVERNING ARMS TRANSFER, THAT YOU WILL AGREE WITH ME THAT SUCH AN AMENDMENT NOT ONLY UNNECESSARY BUT EXTREMELY HARMFUL TO SAY THE LEAST.

CHART 12: SOVIET MILITARY/ECONOMIC ASSISTANCE

THIS CHART SHOWS, IN RED, SOVIET MILITARY SALES, WHICH ARE OFTEN ON QUITE FAVORABLE TERMS, AND IN GREEN, SOVIET ECONOMIC AID. YOU WILL NOTE THE PREPONDERENCE OF RED. FOR A SENSE OF THE RELATIVE SCALE, THE BLOCKS THEMSELVES REPRESENT A FIVE-YEAR AVERAGE. CUBA IS ABOUT $5.8 BILLION, WHILE VIETNAM REPRESENTS ABOUT $2.3 BILLION. MOSCOW'S PROVISION OF MILITARY ASSISTANCE AND ADVICE TO NORTH KOREA, VIETNAM, SOUTH YEMEN, ETHIOPIA, ANGOLA, SYRIA, LIBYA, NICARAGUA, AND CUBA FUELS THE FIRES OF RADICALISM AND AGGRESSION. THERE ARE ABOUT 20,000 SOVIET ADVISORS ABROAD, MOSTLY IN THESE COUNTRIES SHOWN. IN ADDITION THERE ARE 116,000 SOVIET TROOPS IN AFGHANISTAN AND JUST UNDER 3,000 IN CUBA. THERE ARE MORE SOVIET MILITARY ASSISTANCE

ADVISORS IN LATIN AMERICA, ALMOST 5,000 INCLUDING CUBA, THAN WE HAVE IN THE ENTIRE WORLD AND ABOUT TWICE AS MANY IN SUB-SAHARAN AFRICA AS OUR WORLDWIDE TOTAL. CUBA, ITSELF RETURNS THE SOVIETS LARGESS BY PROVIDING 2,000 - 2,500 MILITARY ADVISORS TO NICARAGUA. FURTHERMORE, THERE ARE BETWEEN 5,000 AND 6,000 MILITARY STUDENTS AND 57,000 OTHER STUDENTS FROM THROUGHOUT THE WORLD IN THE SOVIET UNION ON AVERAGE AT ANY TIME.

IT IS NO ACCIDENT THAT THE SOVIET UNION EMPHASIZES MILITARY OVER ECONOMIC ASSISTANCE. THEY DO NOT PROMOTE FREE TRADE, OPEN ECONOMIES, OR PERSONAL FREEDOM. THEY TREAT THE PEOPLE OF OTHER COUNTRIES THE WAY THEY TREAT THEIR OWN CITIZENS. ECONOMIC PROSPERITY AND OPEN SOCIETIES ARE THE ENEMIES OF THEIR IDEOLOGY.

NOT ALL THE COUNTRIES PORTRAYED CAUSE PROBLEMS FOR THEIR NEIGHBORS, NOR DO THEY ALL TAKE DIRECTION FROM THE SOVIET UNION. BUT OF THE 13 TREATIES OF FRIENDSHIP AND COOPERATION CONCLUDED WITH THE SOVIET UNION SINCE 1971, ELEVEN SIGNATORIES WERE EMBROILED IN SOME FORM OF WARFARE OR INSTABILITY WITHIN ONE YEAR.

CHART 13: U.S. MILITARY AND ECONOMIC ASSISTANCE

THIS FINAL CHART STANDS IN STARK CONTRAST TO THE SOVIET CHART, WHICH I HAVE LEFT BEFORE YOU. IT SHOWS THE MIX OF U.S. ECONOMIC AID IN BLUE AND MILITARY AID IN YELLOW PER COUNTRY. THE TWO CHARTS ARE TO THE SAME SCALE. THE SIZE OF THE SQUARE FOR EACH COUNTRY REPRESENTS THE SIZE OF THE PROGRAM. PLEASE NOTE

THAT THE U.S. CHART DOES NOT REFLECT CASH SALES, WHICH DO NOT INVOLVE U.S. FUNDING. NOTICE THAT CUBA IS LARGER THAN EGYPT AND ISRAEL COMBINED. THE U.S. CHART DEMONSTRATES THAT THE ADMINISTRATION AND CONGRESS HAVE SOUGHT TO ACHIEVE A BALANCE OF BILATERAL ECONOMIC AND MILITARY ASSISTANCE THAT SERVES OUR FOREIGN POLICY, SECURITY, AND BASIC HUMAN NEEDS. THIS IS A TRULY INTEGRATED BUDGET, MR. CHAIRMAN. ON THIS CHART, ESF IS COUNTED AS ECONOMIC AID, AS IT SHOULD BE.

THE PREPONDERANCE OF THE ISRAELI AND EGYPTIAN PROGRAMS IS VERY CLEAR ON THIS CHART. WHEN YOU COMPARE THE SOVIET PROGRAMS IN THE AREA--WITH LIBYA AND SYRIA, FOR EXAMPLE--THE ISRAELI AND EGYPTIAN PROGRAMS ARE NOT OUT OF PROPORTION.

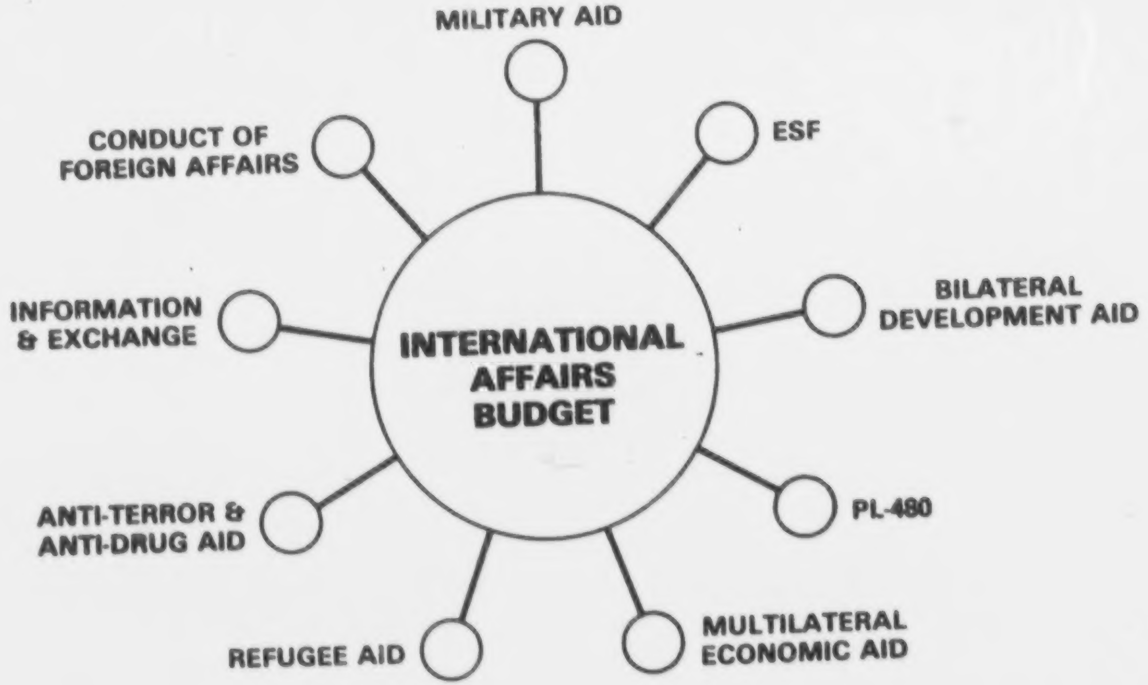
OUTSIDE OF ISRAEL, EGYPT, AND THE NATO SOUTHERN REGION COUNTRIES, YOU WILL NOTE A PREPONDERANCE OF GREEN ON THIS CHART. THIS CONTRAVERTS THOSE WHO SAY THIS ADMINISTRATION HAS BEEN MILITARIZING FOREIGN ASSISTANCE. OVERALL, OUR BUDGET REQUEST IS 38.5 PERCENT MILITARY ASSISTANCE. WHEN ISRAEL AND EGYPT ARE SUBTRACTED, THE SHARE OF MILITARY ASSISTANCE DROPS TO 28 PERCENT. WHEN ISRAEL, EGYPT, AND NATO COUNTRIES ARE SUBTRACTED, THE WORLDWIDE SHARE OF MILITARY ASSISTANCE DROPS TO 14 PERCENT OF WHICH THE LATAM SHARE IS ONLY 3.4 PERCENT. THESE ARE VERY SMALL PRICES TO PAY TO ENSURE THE STABILITY AND SECURITY WITHIN WHICH OUR ECONOMIC ASSISTANCE PROGRAMS CAN FUNCTION AND COUNTRY DEVELOPMENT CAN PROCEED. THESE PERCENTAGES FOR FY1988 ARE VERY CLOSE, DOWN THE

LINE, TO THOSE CONGRESS APPROPRIATED FOR FY1987, SO THE POINT CAN BE MADE AGAIN: WE ARE RESPONSIVE TO CONGRESS. WE REALLY DO NOT DIFFER ON THE GOALS OF THE INTEGRATED FOREIGN ASSISTANCE BUDGET. ONLY THE GROSS AMOUNT OF BUDGET RESOURCES IS NOW AT ISSUE.

MR. CHAIRMAN, I HAVE TESTIFIED IN DETAIL TODAY ABOUT THE LATIN AMERICAN MILITARY ASSISTANCE PROGRAMS WHICH ARE SO CRUCIAL FOR OUR FOREIGN POLICY AND NATIONAL SECURITY. BUT I AM HERE ALSO TO URGE YOU TO SUPPORT THE ENTIRE REQUEST FOR THE INTERNATIONAL AFFIARS BUDGET REQUEST OF THE PRESIDENT--FOR MILITARY ASSISTANCE, ECONOMIC ASSISTANCE, STATE DEPARTMENT OPERATIONS, AND OUR INFORMATION AND EXCHANGE ACTIVITIES. THE AMERICAN PUBLIC HAS A FAR MORE VITAL STAKE IN THESE INTERNATIONAL ACTIVITIES THAN IS COMMONLY RECOGNIZED. WE ARE A MAJOR PART OF THE WORLD, AND THE WORLD INTRUDES ON OUR LIVES MORE THAN WE LIKE TO ADMIT. BUT IF WE ARE TO CONTROL WHAT WE CAN AND CONTRIBUTE WHERE WE CAN, WE NEED THE RESOURCES AND THE LEVERAGE THE FY1988 BUDGET REQUEST PROVIDES. WE NEED YOUR SUPPORT.

I WOULD BE HAPPY TO TAKE ANY QUESTIONS YOU MAY HAVE.

INTERNATIONAL AFFAIRS BUDGET MAJOR FUNCTIONS



INTERNATIONAL AFFAIRS BUDGET

MILITARY AID

ESF

BILATERAL DEVELOPMENT AID

PL-480

MULTILATERAL ECONOMIC AID

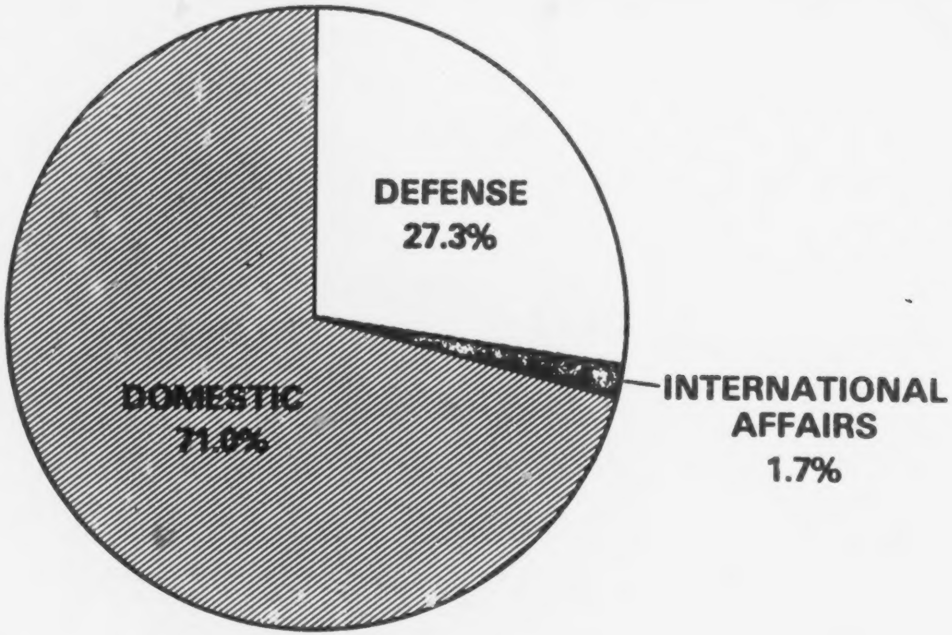
REFUGEE AID

ANTI-TERROR & ANTI-DRUG AID

INFORMATION & EXCHANGE

CONDUCT OF FOREIGN AFFAIRS

THE PRESIDENT'S FY 1988 BUDGET REQUEST

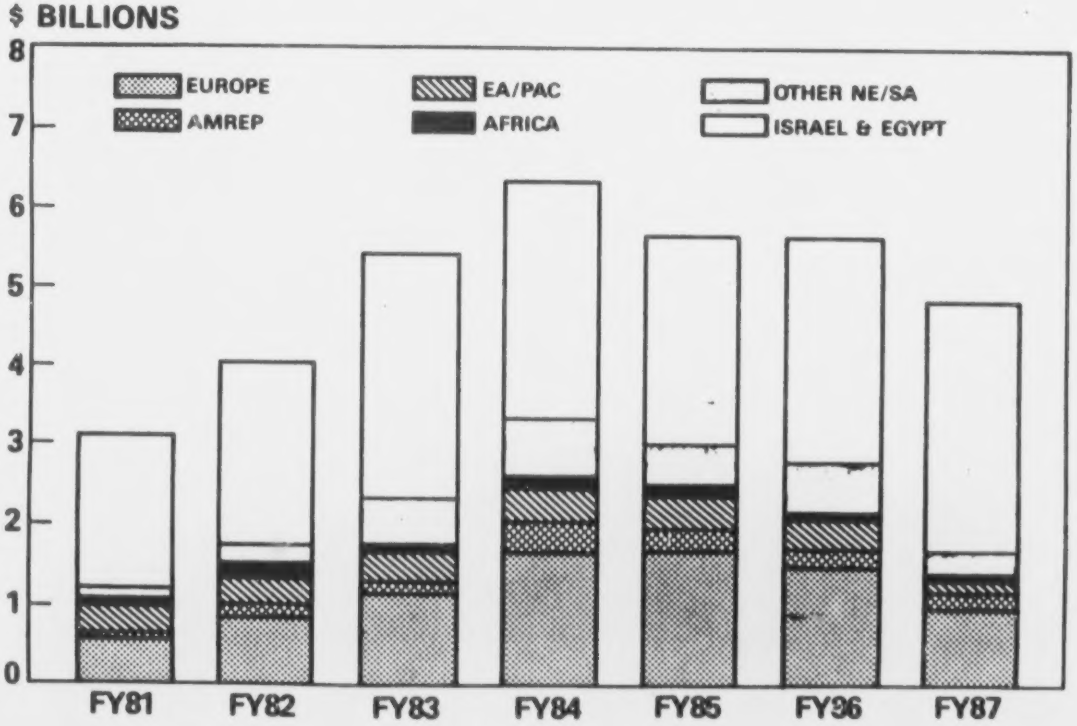


SECURITY ASSISTANCE ACCOMPLISHMENTS 1981-1985

- CONGRESS
  - FUNDING
  - AGREED GOALS
  - IMPROVEMENTS IN LAW
  - MANAGEMENT IMPROVEMENTS
- COUNTRIES
  - PLANNING
  - STRATEGIC DIALOGUES
  - QUALITY OF AID
- NATIONAL SECURITY
  - CONFLICTS/DETERRENCE/STABILITY
  - CONTRIBUTION TO REGIONAL STRATEGIES
  - BASE RIGHTS

6

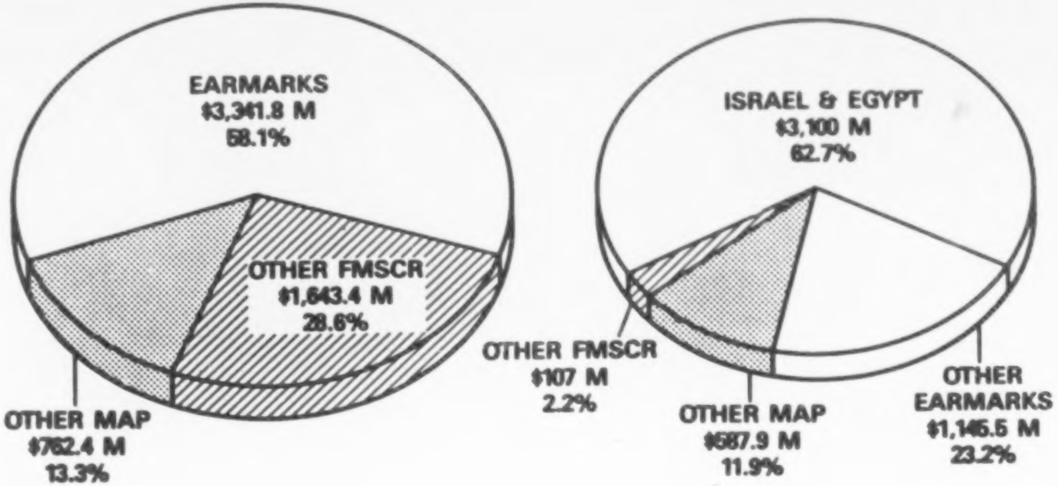
FMSCR & MAP
FY 1981 — FY 1987



IMPACT OF EARMARKS

FY 1986

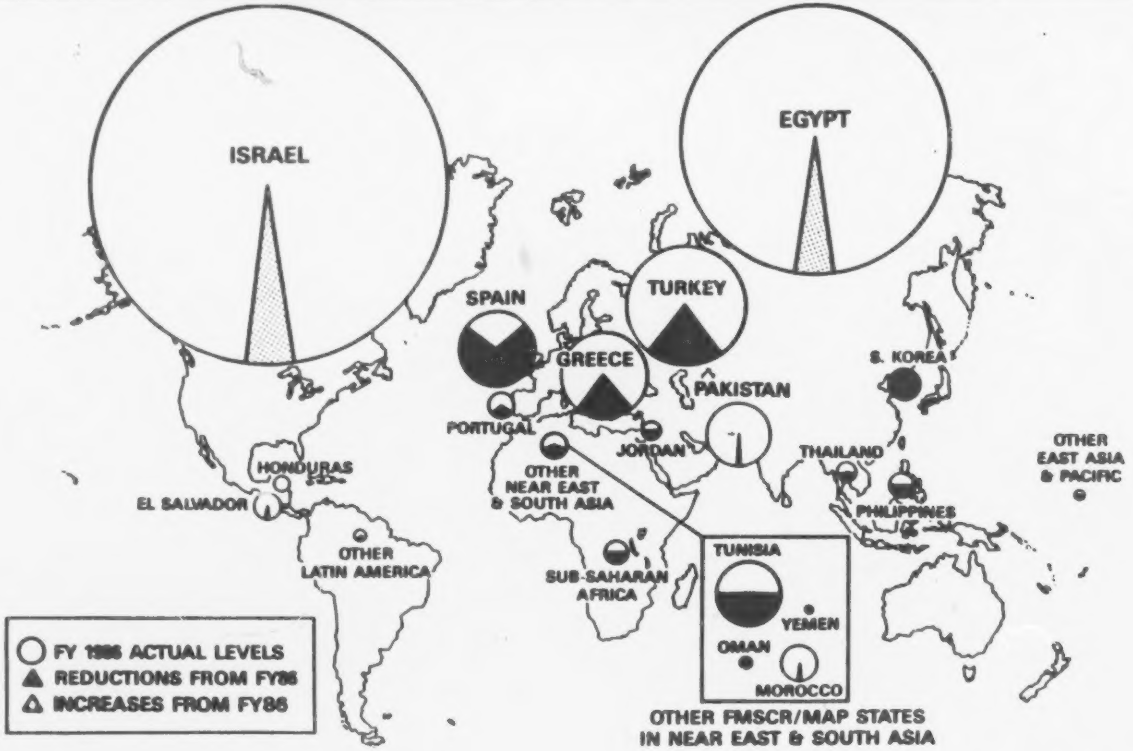
FY 1987



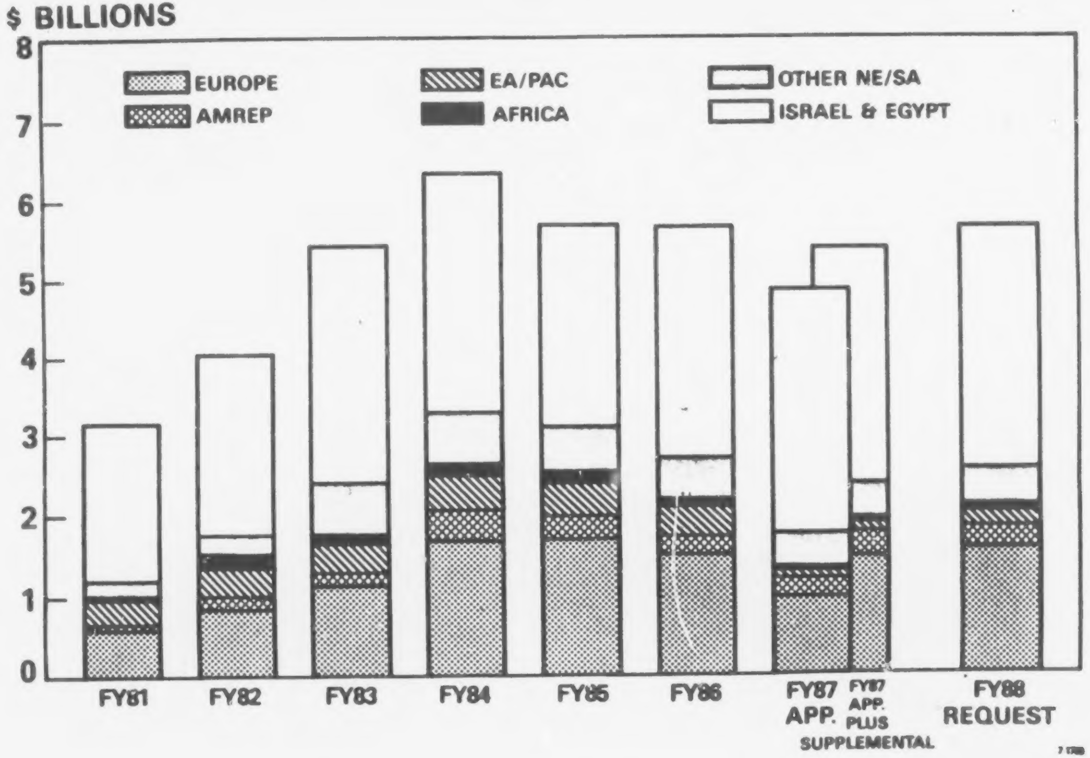
$5,747.6 M

$4,940.4 M

FMSCR, MAP, & IMET:
REDUCTIONS FROM FY 1986 ACTUAL LEVELS

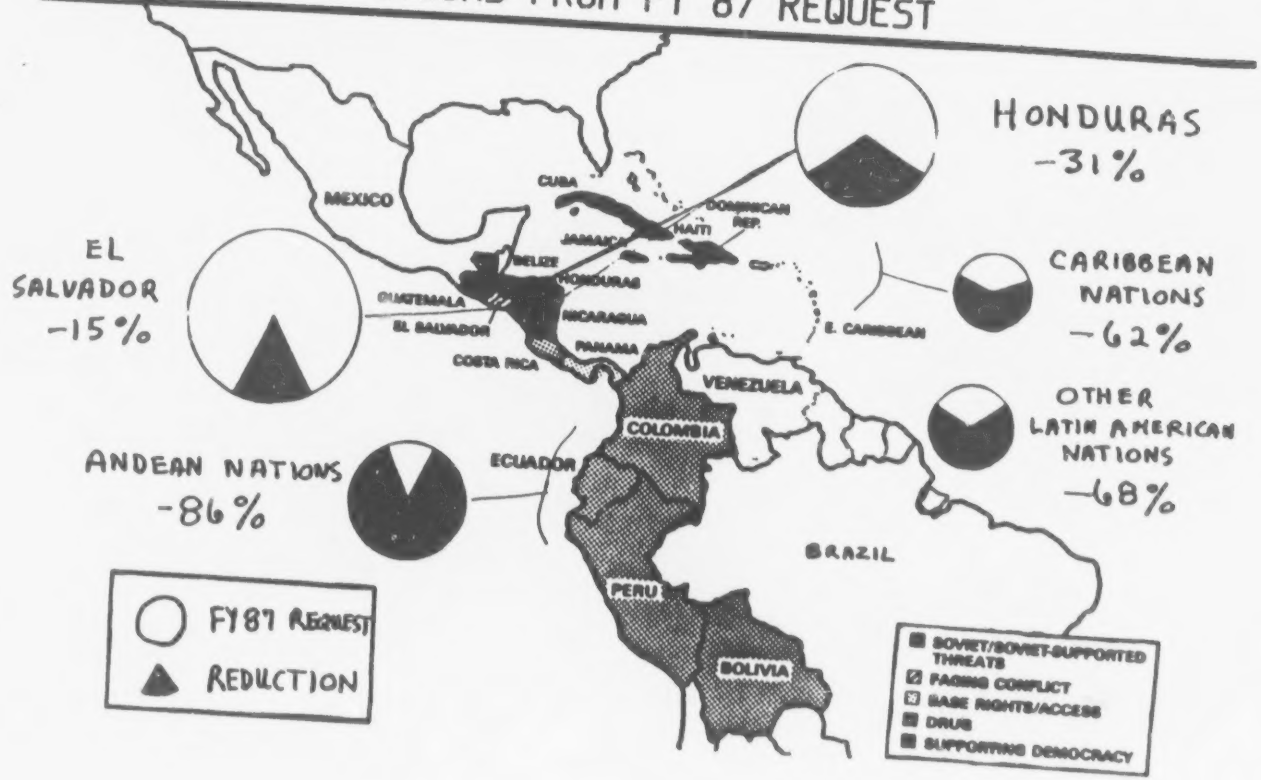

ISRAEL
EGYPT
SPAIN
TURKEY
GREECE
PAKISTAN
S. KOREA
PORTUGAL
JORDAN
THAILAND
OTHER EAST ASIA & PACIFIC
HONDURAS
EL SALVADOR
OTHER NEAR EAST & SOUTH ASIA
PHILIPPINES
OTHER LATIN AMERICA
TUNISIA
SUB-SAHARAN AFRICA
YEMEN
OMAN
MOROCCO
OTHER FMSCR/MAP STATES IN NEAR EAST & SOUTH ASIA
○ FY 1986 ACTUAL LEVELS
▲ REDUCTIONS FROM FY86
△ INCREASES FROM FY86

FMS CREDITS AND MAP
FY 1981 — FY 1988

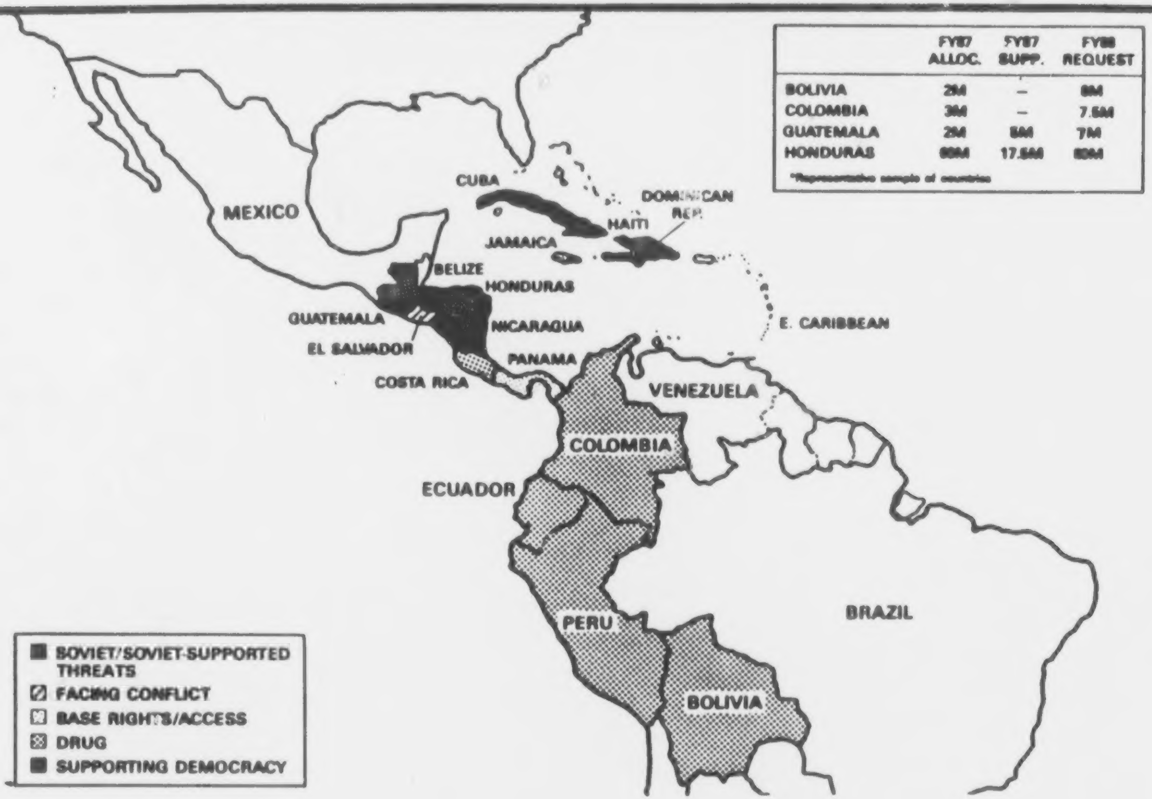


LATIN AMERICA

MAP and FMS CREDITS: REDUCTIONS FROM FY 87 REQUEST

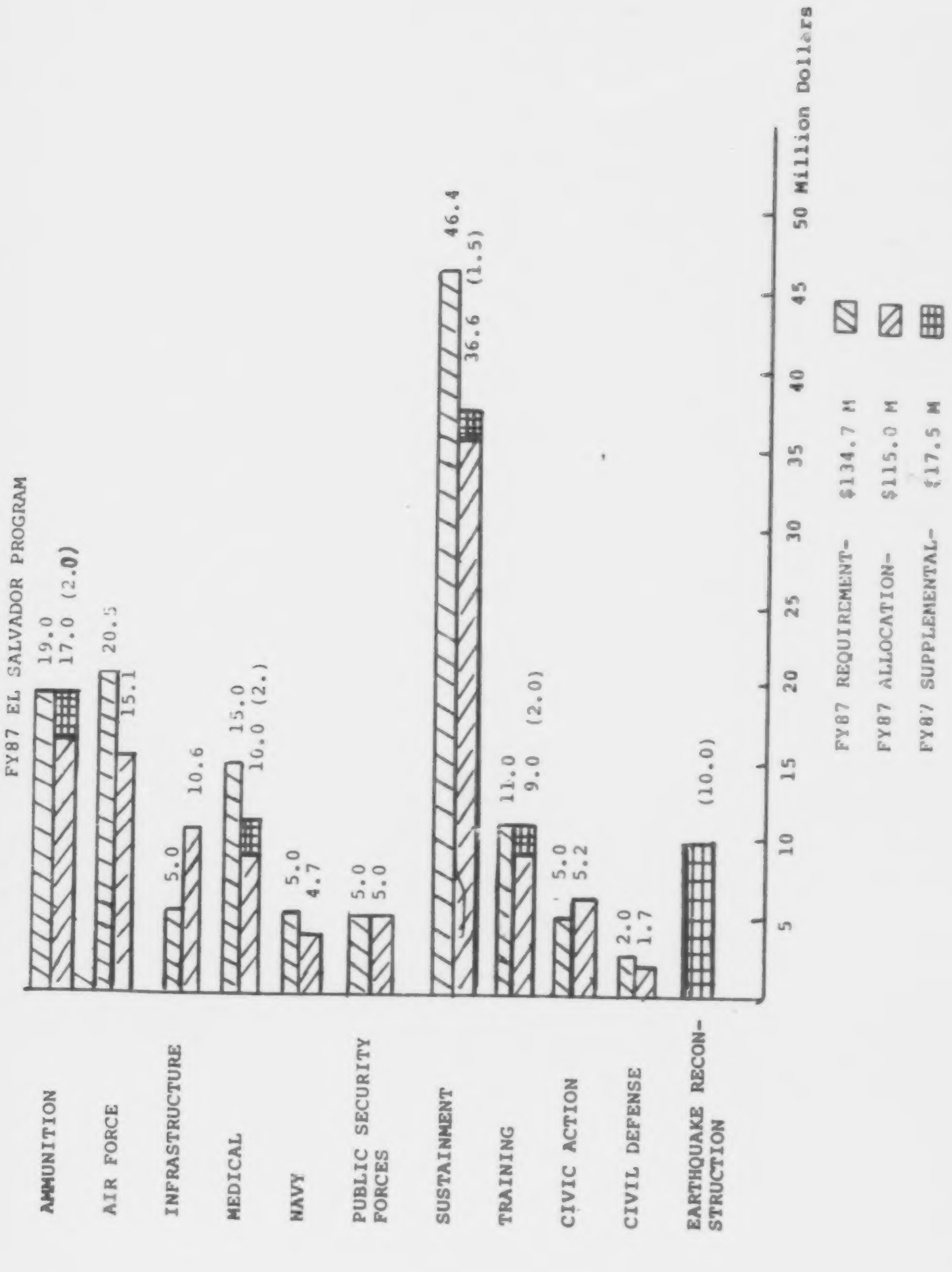

HONDURAS
-31%
EL
SALVADOR
-15%
CARIBBEAN
NATIONS
-62%
OTHER
LATIN AMERICAN
NATIONS
-68%
ANDEAN NATIONS
-86%
MEXICO
CUBA
DOMINICAN
REP.
HAITI
JAMAICA
BELIZE
HONDURAS
GUATEMALA
EL SALVADOR
NICARAGUA
PANAMA
COSTA RICA
E. CARIBBEAN
VENEZUELA
COLOMBIA
ECUADOR
BRAZIL
PERU
BOLIVIA
○ FY87 REQUEST
▲ REDUCTION
■ SOVIET/SOVIET-SUPPORTED THREATS
▨ FACING CONFLICT
▨ BASE RIGHTS/ACCESS
■ DRUG
■ SUPPORTING DEMOCRACY

LATIN AMERICA
FY87 ALLOCATION VS FY88 REQUEST

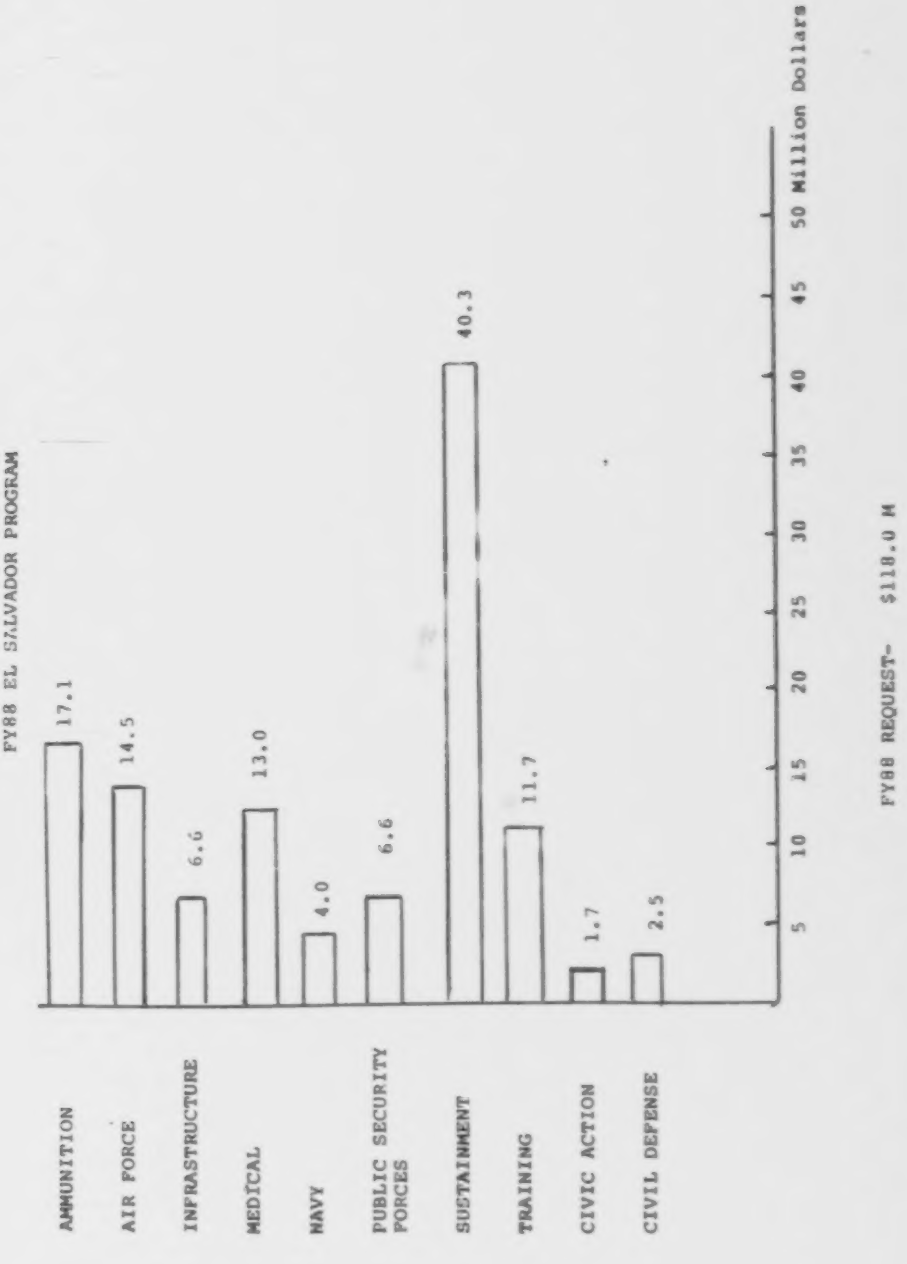

MEXICO
CUBA
JAMAICA
HAITI
DOMINICAN REP.
BELIZE
HONDURAS
GUATEMALA
EL SALVADOR
NICARAGUA
COSTA RICA
PANAMA
E. CARIBBEAN
VENEZUELA
COLOMBIA
ECUADOR
PERU
BOLIVIA
BRAZIL
■ SOVIET/SOVIET-SUPPORTED THREATS
▨ FACING CONFLICT
▒ BASE RIGHTS/ACCESS
▩ DRUG
■ SUPPORTING DEMOCRACY

	FY87 ALLOC.	FY87 SUPP.	FY88 REQUEST
BOLIVIA	2M	–	8M
COLOMBIA	3M	–	7.5M
GUATEMALA	2M	5M	7M
HONDURAS	60M	17.5M	60M

*Representative sample of countries



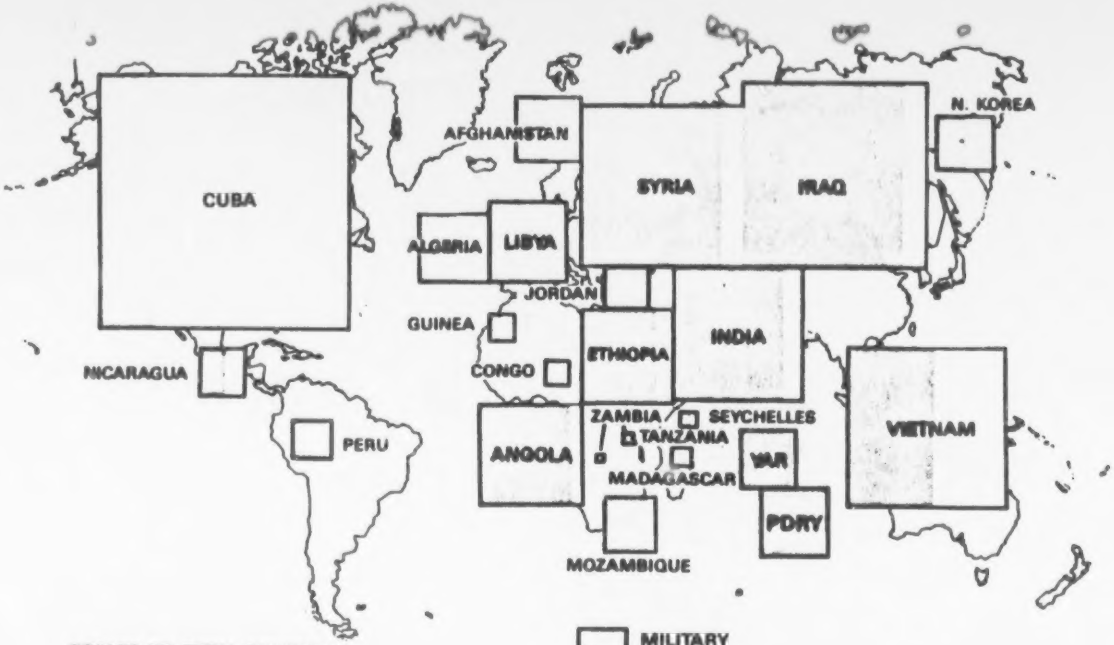
FY87 EL SALVADOR PROGRAM



FY88 EL SALVADOR PROGRAM

FY88 REQUEST- $118.0 M

SOVIET MILITARY SALES/ASSISTANCE AND ECONOMIC ASSISTANCE* (1981-1985)


CUBA
NICARAGUA
PERU
AFGHANISTAN
ALGERIA
LIBYA
JORDAN
GUINEA
CONGO
ANGOLA
SYRIA
IRAQ
N. KOREA
ETHIOPIA
INDIA
ZAMBIA
TANZANIA
SEYCHELLES
MADAGASCAR
MOZAMBIQUE
YAR
PDRY
VIETNAM

SCALED TO TOTAL MILITARY AND ECONOMIC TRANSFERS 1981-1985

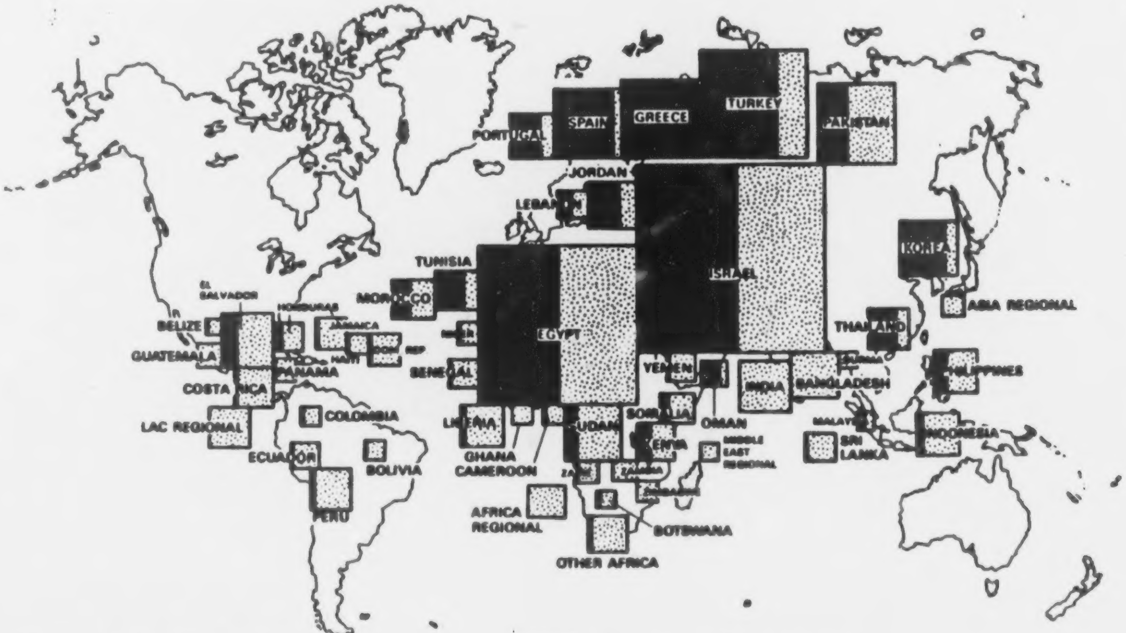
INDICATES 5 YEAR AVERAGE

MILITARY

ECONOMIC

*APPROXIMATELY 20,000 SOVIET MILITARY ADVISORS (NOT INCLUDING COMBAT TROOPS)

U.S. MILITARY AND ECONOMIC ASSISTANC
FY 1981 - FY 1985
(SCALED TO PROGRAM SIZE)


PORTUGAL
SPAIN
GREECE
TURKEY
PAKISTAN
JORDAN
LEBANON
ISRAEL
KOREA
ASIA REGIONAL
TUNISIA
MOROCCO
EGYPT
THAILAND
EL SALVADOR
HONDURAS
JAMAICA
BELIZE
GUATEMALA
HAITI
DOM. REP
PANAMA
COSTA RICA
SENEGAL
YEMEN
INDIA
BANGLADESH
BURMA
PHILIPPINES
LAC REGIONAL
COLOMBIA
LIBERIA
SUDAN
SOMALIA
OMAN
MALAYSIA
INDONESIA
ECUADOR
BOLIVIA
GHANA
CAMEROON
ZAIRE
ZAMBIA
KENYA
MIDDLE EAST REGIONAL
SRI LANKA
PERU
ZIMBABWE
AFRICA REGIONAL
BOTSWANA
OTHER AFRICA

NOT ALL COUNTRIES SHOWN
REPRESENTS 5 YR. AVG.

■ FMS/MAP FINANCING
▨ ESF, DA, PL 480 FINANCING

Reprinted from U.S. Congress. Senate. Committee on Appropriations. Foreign assistance and related programs appropriations bill, 1987. Washington, G.P.O., 1986. p. 5-7, 29. (Report, Senate, 99th Congress, 2nd session, no. 99-443)

A LOOK AT THE SIZE AND DIMENSIONS OF U.S. FOREIGN ASSISTANCE

To better understand the dimensions of the U.S. Foreign Assistance Program, the Committee is again including in its report tabular information showing the amounts of resources transferred to foreign nations in fiscal year 1985, fiscal year 1986, and the amount proposed to be transferred in fiscal year 1987. Table I helps to better inform the Congress and the American people about the size of the U.S. foreign assistance effort, which otherwise is only seen in several different parts.

Despite these figures, which show a significant absolute foreign assistance effort, there are many who continually criticize the United States for not providing enough foreign assistance dollars. Usually this criticism is presented in comparisons with other countries on the percentage of gross national product devoted to foreign economic assistance. Such a comparison is grossly misleading, for it presents only a partial reflection of the total contribution made by the American taxpayer to the safety and general welfare of the world's developing countries. It must be underscored, therefore, that in addition to our economic and military assistance programs, the United States continues to shoulder the major burden of defending the free world. In fact, as the following table II shows, the United States spends more on the defense of itself and the Western World than all of the other Western countries shown on the table combined. It is worth pointing out that several of the countries listed in table II direct their foreign assistance programs to former colonies, neighboring countries or trading partners, while the United States' program is worldwide in scope and does not exhibit the degree of parochial bias evident in the programs of many other donor countries. As this Committee pointed out in its report accompanying the fiscal year 1980 appropriation legislation, comparisons using only net official development assistance as a percentage of GNP "robs such comparisons of any intelligible meaning and makes it impossible to judge the inadequacy or excessiveness of U.S. foreign assistance."

Table III is included to show the continuing large portion of the cost of international banks and other multilateral organizations funded by the United States.

TABLE I.—TRANSFER OF U.S. RESOURCES TO FOREIGN NATIONS

[In millions of dollars]

	Fiscal year—		
	1985 (actual)	1986 (estimate)	1987 (proposed)
Military assistance	[1] 7,637.1	[2] 6,750.4	7,238.6
Economic assistance	[1] 13,140.0	[2] 8,734.7	9,548.7
Total foreign assistance	20,777.1	15,485.1	16,787.3
Export-Import Bank [3]	8,508.8	13,110.0	12,000.0
Total	**29,285.9**	**28,595.1**	**28,787.3**

[1] Figures for military and economic assistance represent actual appropriations, including supplementals.

[2] Figures for economic and military assistance represent postsequestration appropriated levels pursuant to Public Law 99–177.

[3] Export-Import Bank figures represent gross program authorization level.

TABLE II.—DEFENSE EXPENDITURES AND DEVELOPMENT ASSISTANCE

[In millions of dollars]

Country	Defense expenditures [1] (1984)		Net official development assistance [2] (1984)	
	Amount	Percent of GNP	Amount	Percent of GNP
United States	$217,154	6.6	$8,236	0.24
United Kingdom	27,444	5.4	1,578	0.34
France	23,793	4.2	3,939	0.75
Germany, Federal Republic of	23,565	3.4	3,108	0.47
Netherlands	4,673	3.2	1,288	0.96
Norway	1,844	3.2	576	1.06
Sweden	3,332	3.3	748	0.82
Belgium	2,911	3.3	474	0.58
Australia	4,637	2.8	750	0.47
Italy	9,609	2.7	1,009	0.28
Denmark	1,482	2.5	438	0.79
Switzerland	1,961	1.9	315	0.31
Canada	6,439	2.2	1,544	0.48
New Zealand	519	2.2	60	0.26
Finland	785	1.5	166	0.34
Austria	937	1.3	177	0.28
Japan	11,500	1.0	4,027	0.34
Luxembourg	44	1.0	8	0.19
Ireland	303	1.8		
Spain	4,070	2.1		

[1] Data on defense expenditures in dollars and as a percent of GNP from the U.S. Arms Control and Disarmament Agency publication entitled "World Military Expenditures and Arms Transfers 1985."

[2] Data on net official development assistance in dollars and as a percent of GNP from the 1986 chairman's report, Development Assistance Committee, Organization for Economic Cooperation and Development.

TABLE III.—U.S. VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND SUBSCRIPTIONS AND CONTRIBUTIONS TO DEVELOPMENT BANKS

Organization or activity:	*Fiscal year 1987 estimated U.S. share as a percentage of total contributions*
African Development Bank:[1]	
Paid-in capital	7.4
Callable capital	7.4
African Development Fund[1]	15.4
Asian Development Bank:[1]	
Paid-in capital	16.3
Callable capital	16.3
Asian Development Fund	16.25
Consultative Group on International Agricultural Research [CGIAR] [AID]	25.0
Inter-American Development Bank:[1]	
Paid-in capital	34.7
Callable capital	34.7
Fund for special operations	41.27
International Atomic Energy Agency, cash contribution	25.0
International Bank for Reconstruction and Development:[1]	
Paid-in capital	20.0
Callable capital	20.0
International Development Association:[1] Paid-in capital (subscriptions)	25.0
International Fertilizer Development Center [AID]	40.0
Intergovernmental Committee for European Migration	11.0
Organization of American States	51.0
Pathfinder Fund (population planning) [AID]	95.0
United Nations Relief and Works Agency	30.0
United Nations Educational and Training Program for Southern Africa	30.0
United Nations Environment Program	24.5
United Nations Fund for Drug Abuse Control	25.0
United Nations Fund for Population Activities [AID][2]	32.0
United Nations Force in Cyprus	32.0
World Meteorological Organization, Voluntary Assistance Program	26.0

[1] Percentage based on most recent replenishment as negotiated internationally.

[2] Subject to compliance with U.S. population policy as articulated at International Population Conference, Mexico City, 1984.

RATIO OF SECURITY AND DEVELOPMENT ASSISTANCE IN U.S. FOREIGN ASSISTANCE PROGRAM

In the report which accompanied last year's legislation, the Committee responded to arguments which were being made by some that as a matter of policy, development and security assistance should have some sort of relation to each other, instead of changing, as it has over the years, depending on the needs of the times. The Committee further made the point that some who made this argument continued to refuse to recognize that not all of the Economic Support Fund should be classified as security assistance, because at least one-third of that assistance is in fact development assistance. Additionally, the Committee while recognizing the growth of security assistance programs over the last several years, pointed out that much of that growth is in programs for two countries—Israel and Egypt—which have been provided as part of the Camp David peace process.

This year, the Committee believes it is worthwhile to point out additional facts with respect to this issue, especially as to the amount of development assistance requested.

Most comparisons which are put forward concentrate on the level of appropriations, without looking at the total amount of resources which are actually made available by this legislation for development purposes. Specifically, in addition to looking at the amount of appropriations provided for multilateral development banks, it is essential to note that significantly more in resources are provided by this legislation as a result of the callable capital made available to the multilateral development banks. The fiscal year 1987 request for the MDB's totals approximately $1,400,000,000 in budget authority, but in addition includes requests for callable capital approaching $4,000,000,000. This callable capital, while not an appropriation, directly results in development assistance resources transfers, and, therefore, should be calculated in any total figure for development assistance which is provided under this legislation. Obviously, calculation of this callable capital dramatically changes the general perception of the amount of development assistance being provided, although the Committee would quickly point out that it is not simply perception, but rather the result of providing callable capital constitutes real resources for development assistance programs. Therefore, the development assistance being requested, including callable capital and one-third of the Economic Support Fund which is devoted to development assistance projects, is at least $5,183,000,000 more than ordinarily perceived to be the case.

Reprinted from U.S. Congress. House. Committee on Appropriations. Foreign assistance and related programs appropriations bill, 1987. Washington, G.P.O., 1986. p. 13-17. (Report, House, 99th Congress, 2nd session, no. 99-747)

INSUFFICIENT SUPPORT FOR FOREIGN ASSISTANCE

The Committee believes that due to budget pressures, insufficient funds are available for the Committee to be able to adequately deal with current international commitments of the United States—both those related to bilateral security agreements and those related to multilateral financial institutions. This shortage of resources also makes it extremely difficult for the United States to contribute sufficient funds aimed at resolving the critical long-term development needs of the poorest countries of the world. The Committee believes that this lack of resources draws into question the continuing commitment and the ability of the United States to play a major leadership role in many international economic, political, and security policy areas so long as Gramm-Rudman requires a deficit target of $144 billion, to be achieved without any adjustments in the nation's revenue base.

There appears to be a broad lack of Congressional support to funding for foreign assistance programs. This may be the result of positions and policies which to a large extent have alienated traditional supporters of foreign aid and which, at the same time, have failed to gain significant new support among those who have not supported foreign assistance programs in the past. Support for foreign assistance programs, even in the best of budgetary times, is weak. Many policies and actions of the Administration have weakened already soft support for foreign assistance programs within the Congress. These policies and actions include:

- Pursuing policies which are inconsistent, such as first working to decrease resources for multilateral financial institutions and now working to strengthen and expand those institutions.
- Consistently cutting the "investment portion" of the federal domestic budget from 21 cents on the dollar in 1980 to 11 cents on the dollar today . . . including cuts in funding for education, worker training, drug interdiction, scientific and medical research, highways, sewage treatment plants, community infrastructure, and cuts in funding for the day-to-day operations of government.

- Requesting large increases in foreign assistance programs with an almost exclusive emphasis on security assistance.

The negative atmosphere surrounding foreign aid has been further increased by recent questions about the corrupt use of foreign assistance funds by foreign governments and by the apparent inability of the United States government to fully account for the use of assistance dollars.

The Committee recognizes that it is largely unable to influence the existing negative attitudes about foreign assistance spending and has, therefore, proceeded with its responsibility to allocate the available funds within the constraints of Gramm-Rudman.

The Committee has been provided $12.991 billion in the House Budget Resolution. This level is approximately a 9.7 percent cut in budget authority below FY 1986 post sequestration levels.

While this cut is substantial, the Committee believes that positive international economic trends in the past year have helped the economic situations of most countries receiving foreign assistance. Indeed, in many individual cases, these economic changes are far greater than the decrease in funding which will occur due to cuts in the foreign assistance programs of the United States government.

These economic trends include a major decline in the cost of oil imports, and a decrease in international interest rates. These mitigating circumstances are discussed in greater detail later in the report.

The Committee also believes that the substantial growth which has occurred in foreign assistance funding overall since 1981 provides a buffer against the cuts which are now occurring.

TRENDS IN FOREIGN ASSISTANCE PROGRAM

Changes which have occurred in funding for foreign assistance since FY 1981 are illustrated by Table 4. This table shows that since FY 1981 total U.S. foreign assistance, excluding the Export-Import Bank, has increased from $8.9 billion to $15.5 billion in the FY 1987 request, a total increase of 70 percent.

In nominal terms these changes from 1981 have been substantial. Development assistance has increased 19 percent. Economic Support Funds have increased 95 percent. Military assistance has increased 111 percent.

During the same period, Development Assistance as a proportion of the total bill has decreased from 40 percent to 29 percent. Economic support funds have increased from 24 percent to 27 percent of the total. Military assistance has increased from 36 percent to 45 percent of the total. Security assistance funding has increased from 60 percent to 71 percent of the total.

TABLE 4.—U.S. FOREIGN ASSISTANCE

[In billions of dollars]

	Fiscal year 1981 actual		Fiscal year 1987 request		Percent change—1986 v. 1981
	Actual	Percent of total	Actual	Percent of total	
Development Assistance [1]	$3.6	40	$4.3	29	+19

TABLE 4.—U.S. FOREIGN ASSISTANCE—Continued

[In billions of dollars]

	Fiscal year 1981 actual		Fiscal year 1987 request		Percent change—1986 v. 1981
	Actual	Percent of total	Actual	Percent of total	
Security Assistance:					
Economic Support Fund	2.1	24	4.1	27	+95
Military Assistance	3.2	36	6.7	45	+111
Subtotal	5.3	60	10.8	71	+105
Grand Total [2]	8.9	100	15.5	100	+70

[1] Includes multi-lateral banks, international organizations, and all bi-lateral economic, assistance except the security related economic support fund.
[2] Does not include Export-Import Bank.

In addition to significant growth in the funding of the security assistance programs since 1981, the number of countries participating in these programs have also increased. Table 5 shows these figures for three of the security assistance programs.

The number of countries participating in the economic support fund has grown from 21 to 47 or by 124 percent. The number of countries participating in the Military assistance (grant) program has grown from 5 to 38 or 660 percent. The number of countries participating in the IMET program has grown from 63 to 97 or by 51 percent. The number of countries participating in the Foreign military credit sales (loan) program has remained stable, however, there has been considerable growth in concessional financing under this program.

TABLE 5.—U.S. FOREIGN SECURITY ASSISTANCE: SELECTED PROGRAMS

[Number of countries]

	Fiscal year 1981 actual		Fiscal year 1987 request		Percent changes 1987 v. 1981
	Actual	Percent of total	Actual	Percent of total	
Economic support fund	21	24	47	26	+124
Military Assistance Program	5	5	38	21	+660
International military education and training	63	71	97	53	+51
Total	89	100	182	100	+104

Further illustrations of the substantial growth in funding for some areas are illustrated by Tables 6 and 7. Table 6 shows that funding for "base rights" countries has grown 137 percent from 1981 to the 1987 request. Growth in the Military assistance grant program for these countries has grown 325 percent, while growth in the foreign military credit sales program for these countries has been 171 percent over the same period. Concessional foreign military credits have grown from zero in 1981 to $700.7 million in 1986.

Table 7 shows that funding for five Central American countries has grown 470 percent from 1981 to the 1987 request. The highest growth in assistance to these countries is in the Economic Support Fund which has grown 1187 percent during this period. The Military Assistance grant program has grown 880 percent, while Development Assistance has grown 134 percent, far slower than the security assistance.

The Committee in summary believes that the lack of support for foreign assistance directly flows from deep domestic budget cuts, recent substantial growth in foreign assistance programs, controversial foreign policy decisions, a strong trend toward increased security assistance, without regard to the necessity to make spending changes in an era of spending austerity, and the federal deficit growth which finally resulted in Gramm-Rudman legislation.

TABLE 6.—FUNDING GROWTH FOR BASE RIGHTS COUNTRIES SINCE 1981

[Dollars in millions]

Country	Total	Percent increase over 1981	D.A.	ESF	Percent increase over 1981	MAP	Percent increase over 1981	FMS	Percent increase over 1981	IMET
1981 actual:										
Spain	133.2		38.5	262.0		81.1		596.6		7.7
Portugal	77.8			25.0		51.0				1.8
Greece	178.1					.4		176.6		1.1
Turkey	452.7			200.0		1.1		250.0		1.6
Philippines	144.1		38.5	30.0		25.0		50.0		.6
Total	985.9		38.5	262.0		81.1		596.6		7.7
1986 estimate:										
Spain	396.6	198		11.5				382.8		2.3
Portugal	189.0	143		76.6		67.0		43.1		2.3
Greece	431.8	142						430.6		1.2
Turkey	738.1	63		119.6		205.8		409.5		3.2
Philippines	193.3	34	18.9	119.6		38.3		14.4		2.1
Total	1,948.8	98	18.9	327.3	25	311.1	284	1,280.4	115	11.1
1987 request:										
Spain	415.0	212		12.0				400.0		3.0
Portugal	224.5	189		80.0		75.0		66.5		3.0
Greece	501.8	182						500.0		1.8
Turkey	974.0	116		150.0		220.0		600.0		4.0
Philippines	220.8	53	23.0	95.0		50.0		50.0		2.8
Total	2,336.1	137	23.0	337.0	29	345.0	325	1,616.5	171	14.6

Philippines $14.4m FMSC 1986; $50m FMSC 1987.
Turkey $330.0m FMSC 1986; $455m FMSC 1987.
Greece $347.0m FMSC 1986.
Portugal $9.6m FMSC 1986; $45m FMSC 1987.
Concessional FMS: 1981 Total = 0. 1986 Total = $700.7m. 1987 Request = $550.0m.

TABLE 7.—FUNDING GROWTH FOR CENTRAL AMERICAN COUNTRIES SINCE 1981

[Dollars in millions]

Country	Total	Percent increase over 1981	D.A.	Percent increase over 1981	ESF	Percent increase over 1981	MAP	Percent increase over 1981	FMS	IMET	Percent increase over 1981
1981 actual:											
Costa Rica	13.235		13.2							0.035	
El Salvador	114.192		33.8		44.9		25.0		10.0	.492	
Guatemala	11.2		11.2								
Honduras	37.035		28.1						8.4	.535	
Panama	8.978		8.6							.378	
Subtotal	184.64		94.9		44.9		25.0		18.4	1.44	
Latin American (total)	474.8		271.8		143.4		25.0		31.3	3.3	
1986:											
Costa Rica	137.191	1,438	14.0		120.6		2.4			.191	
El Salvador	384.935	237	81.1		177.0		125.4			1.435	

TABLE 7.—FUNDING GROWTH FOR CENTRAL AMERICAN COUNTRIES SINCE 1981—Continued

[Dollars in millions]

Country	Total	Percent increase over 1981	D.A.	Percent increase over 1981	ESF	Percent increase over 1981	MAP	Percent increase over 1981	FMS	IMET	Percent increase over 1981
Guatemala	91.187	714	38.2	....	47.9	....	4.8	....	....	.287	....
Honduras	169.453	358	48.5	....	61.2	....	58.7	....	....	1.053	....
Panama	27.274	204	17.2	....	5.7	....	3.8	....	....	.574	....
Subtotal	810.04	339	199.0	110	412.4	818	195.1	680	....	3.54	146
Latin American (total)	1,381.475	191	474.9	75	658.5	....	217.5	....	17.2	13.375	....
1987 estimates:											
Costa Rica	172.55	....	19.2	....	150.0	....	3.1	....	....	.250	....
El Salvador	461.30	....	85.0	....	240.0	....	134.7	....	....	1.600	....
Guatemala	123.70	....	43.2	....	70.0	....	10.0	....	....	.500	....
Honduras	235.20	....	56.4	....	90.0	....	87.5	....	....	1.300	....
Panama	60.65	....	18.1	....	28.0	....	9.8	....	4.0	.750	....
Subtotal	1,053.40	470	221.9	134	578.0	1,187	245.1	880	4.0	4.4	205
Latin American (total)	1,839.76	....	538.1	....	945.0	....	317.0	....	22.0	17.660	....

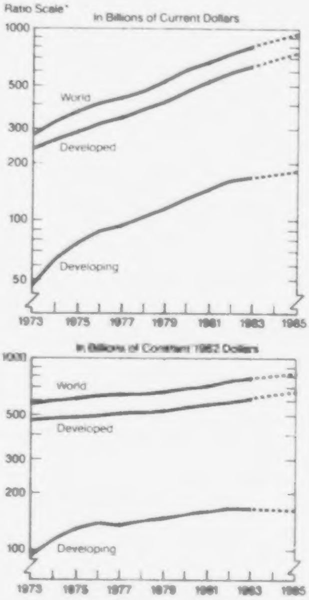
Reprinted from U.S. Arms Control and Disarmament Agency. World Military Expenditures and Transfers 1985. Washington, The Agency, 1985. p. 3-19, 133, 136.

Military Spending

Worldwide trends

- **Spending up in 1983 in current dollars.** World military spending grew by 6.5% in 1983 in current dollars, reaching a new high of about $810 billion, and it will grow further to an estimated $940 billion in 1985. The $1 trillion level predicted for 1985 world military spending in last year's edition fortunately will not be reached. However, this is not so much due to the absence of growth in military spending as to a number of unanticipated downward revisions (see Statistical Notes, p 139), the strong dollar, and exchange rate updates. New highs also were reached by the Developed countries ($640 billion in 1983 and an estimated $760 billion in 1985) and the Developing countries. ($170 and $180 billion, respectively). The Developed countries with less than a quarter of the World's populaton were responsible for nearly four-fifths of its military spending. The trends in military spending since 1973 are depicted in Figure 1.
- **Spending trends in constant dollars vary.** After adjustment for inflation, the resulting real spending trends expressed in constant 1982 dollars also show new highs in 1983 for the World and for the Developed countries. However, Developing countries showed a drop in 1983. Except for a small one-year retreat in 1977 this was the first drop in the developing country real spending total since the compilation of world military expenditures in this series began. It is estimated that these trends have been continuing; small drops in real military spending in 1984 and 1985 are expected for the Developing countries, because the slowdown is spread over most regions and appears to be due as much to economic reasons as to changes in security requirements.

World Military Expenditures, 1973-1985



* On a ratio (or semi-log) scale, an equal slope anywhere on the chart means an equal growth rate.

Figure 1

- **Long-term trends reversed.** Over the entire 1973-1983 period, military spending has been growing more rapidly in the Developing countries, with an average annual rate of 4.7%, than in the Developed countries, with an annual average rate of 2.7%. The recent reversals in these long-term trends are shown in Figure 2 and Table 1, where the rates from 1980 to 1983 for the Developed countries as a whole and for developed regions are higher than for the entire period, while those for the Developing countries and most developing regions are lower. The estimates for Developed and Developing countries in 1984 and 1985, shown in Figure 1, continue these trends.

Regional and national trends

- **North America tops in growth.** Because of US spending increases, North America has shown the sharpest growth in military spending in recent years, with south Asia and Oceania also growing rapidly, but from lower levels. In 1983, compared to the previous year, military spending for the Warsaw Pact, NATO Europe, and East Asia countries grew at lower rates, while Africa and other Europe showed no growth. Military spending in the Middle East and Latin America declined in 1983. (See figure 2)

Table 1
Military Expenditures
(In percent)

	World Share		Real Growth Rate*	
	1973	1983	1973-83	1980-83
World:	100.0	100.0	3.1	3.8
Developed	83.1	79.1	2.7	4.1
Developing	16.9	20.9	4.7	2.1
Region:				
Africa	1.3	2.1	7.3	3.2
East Asia	3.0	7.9	11.8	2.1
Europe, all	55.2	51.1	2.3	2.2
NATO Europe	13.6	12.5	2.3	2.4
Warsaw Pact	39.5	36.9	2.4	2.3
Other Europe	2.1	1.7	0.8	0.5
Latin America	1.4	1.3	3.4	-0.7
Middle East	4.2	7.8	7.6	3.7
North America	28.0	27.5	3.1	7.5
Oceania	0.6	0.6	3.8	6.1
South Asia	0.9	1.1	5.3	9.5
Organization:				
NATO, all	41.7	42.0	2.9	5.8
Warsaw Pact	39.5	36.9	2.4	2.3
OPEC	3.2	7.3	9.3	3.5
OECD	45.2	43.5	2.9	5.7

*Average real growth is calculated from data in constant 1982 dollars as a compound rate. (See Statistical Notes.)

Military Expenditures by Region, 1973-1983

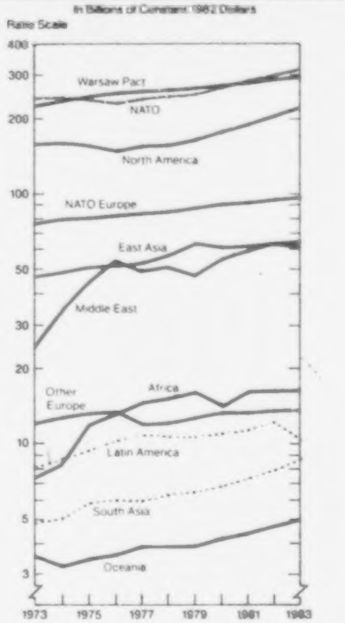


Figure 2

- **NATO and Warsaw Pact dominant.** In 1983, the two superpowers together with the other countries of the two major alliances were responsible for over three-fourths of the world's military spending, with NATO spending 40% of the total and the Warsaw Pact spending 37%. The Soviet Union and the United States account for almost 60% of 1983 world military spending, as can be seen in Figure 3, with the Soviet Union leading the United States by 19 percent.
- **Country trends vary.** Leading countries in terms of military spending in 1983 are listed in Figure 4, which continues to show the Soviet Union on top. Following the United States, China, and the United Kingdom, Saudi Arabia is in fifth place, displacing

France which is now sixth. Some of the poorest countries in the world in 1983 were spending a large percent of GNP on their military establishments while some of the richest were spending relatively little. For example, Finland, Switzerland, Austria, and Japan spent less than two percent of their GNP on the military sector. Some countries, however, spent over thirty percent of their GNP on their military establishments, notably Iraq, Israel, Oman, Libya, and Saudi Arabia.

Shares of World Military Expenditures, 1983

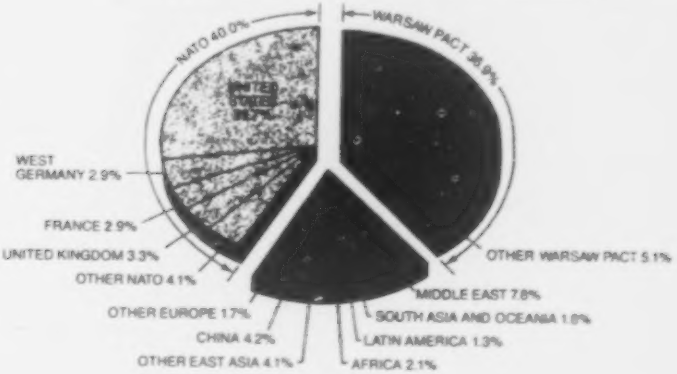


Figure 3

Leading Countries in Military Expenditures and Supported Armed Forces, 1983

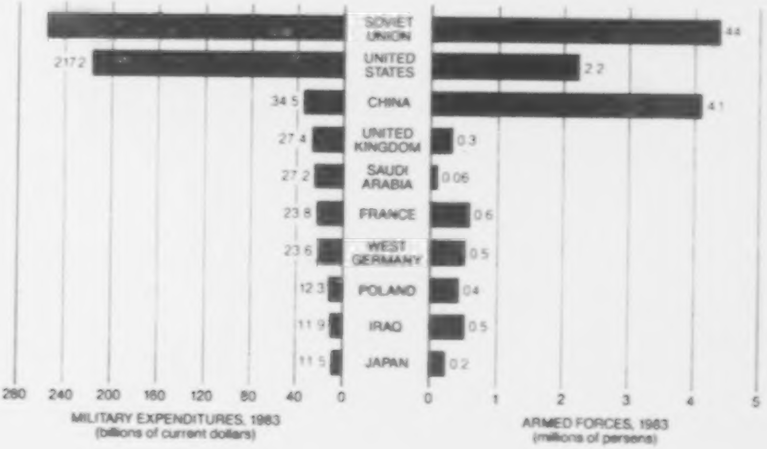


Figure 4

Armed Forces

- **Slow growth continues.** Manpower allocated to armed forces grew by 0.3% in 1983 to 284 million. About the same rate of growth occurred in the Developed and the Developing country groupings. Military personnel increased 11% from 1973-1983, as world population grew 19% and military expenditure grew 38% in constant dollars, reflecting the growing costs of military equipment and capital intensity of military activities. The Soviet Union is now estimated to have the largest armed forces in the world, as Figure 4 shows, with China a close second. This is a reversal from the 1982 ranking shown in the last edition and is due to a revision in the China series. The US remains a rather distant but clear third in this indicator.
- **Regional trends vary sharply.** The fastest growth in 1983 occurred in South Asia, where armed forces grew by 12.8%, primarily in Afghanistan, India, and Pakistan. NATO Europe also grew in 1983 (5.2%), as did Latin America (3.6%). Reductions occurred in East Asia (−2.7%), Africa (−1.4%), and slightly in Other Europe and the Middle East. There is some tendency for the growth rates of those regions that grew faster earlier in the decade to show lower growth in 1983, and vice versa. This can be seen in Table 2 which compares growth in 1973-1983 with that between 1982 and 1983.

Table 2
Armed Forces
(In percent)

	World Share		Real Growth Rate*	
	1973	1983	1973-83	1982-83
World:	100.0	100.0	0.9	0.3
Developed	41.0	38.2	0.3	0.3
Developing	59.0	61.8	1.3	0.3
Region:				
Africa	3.6	5.4	5.5	−1.4
East Asia	31.4	30.1	0.8	−2.7
Europe, all	36.9	35.1	0.5	0.3
NATO Europe	12.9	11.6	0.1	5.2
Warsaw Pact	20.6	20.5	0.8	0.2
Other Europe	3.5	3.0	0.7	−0.1
Latin America	4.7	6.0	3.5	3.6
Middle East	5.0	7.5	4.6	−0.4
North America	8.9	8.1	0.2	0.9
Oceania	0.3	0.3	1.0	1.1
South Asia	9.0	7.5	2.6	12.8
Organization:				
NATO, all	21.8	19.7	0.2	0.9
Warsaw Pact	20.6	20.5	0.8	0.2
OPEC	5.0	6.7	3.6	4.5
OECD	25.3	22.8	0.1	0.8

*Average annual growth, calculated as a compound rate. (See Statistical Notes.)

◆

Relative Burden

- **Average burden high but level.** The economic burden of the military for the world as a whole, as commonly measured by expressing aggregate military expenditures in percent of aggregate GNP, remained in 1983 at the recent high of 6.1% reached in 1982. For the Developed countries, the burden remained at the same level, 6.2%, in both 1982 and 1983, as both military spending and GNP grew. For the Developing countries, which in 1983 for the first time suffered a drop in their aggregate GNP, this measure dropped slightly from 5.9 to 5.8%, reflecting the fact that the relative drop in their military spending exceeded that in their GNP.
- **Burden varies greatly by region and country.** There is great disparity between regions in the level of this indicator of burden; it ranges from 1.5% in Latin America to 15.7% in the Middle East — up from 11.9% in 1979. Individual countries also show wide disparities in the burden of the military, as can be seen in Figure 5. A wide range of burdens is experienced by countries in each income class, indicating that factors other than income largely determine burden.

Relative Burden of Military Expenditures — 1983

ME/GNP* (%)	GNP PER CAPITA (1982 dollars)					
	Under $200	$200-499	$500-999	$1,000-2,999	$3,000-9,999	$10,000 and over
10% and over	Laos† Vietnam† Kampuchea†	Yemen (Aden) Cape Verde†	Angola Yemen (Sanaa) Zambia† Nicaragua	Iraq North Korea Jordan Syria Mongolia†	Israel Oman Libya Soviet Union	Saudi Arabia Qatar†
5-9.99%	Somalia Ethiopia	China Guyana† Mauritania Guinea† Pakistan Afghanistan†	Egypt Morocco Zimbabwe Peru Honduras†	Lebanon Taiwan Albania† South Korea Cuba† Malaysia Iran	Bulgaria East Germany Greece Czechoslovakia Singapore Poland United Kingdom	United Arab Emirates United States
2-4.99%	Burma Burkina Faso Mali Benin Chad† Bangladesh	Guinea-Bissau† Lesotho Mozambique† India Burundi Equatorial Guinea† Liberia Tanzania Togo Senegal Madagascar Kenya	El Salvador Thailand Swaziland Botswana Indonesia Nigeria Cameroon	Turkey Chile South Africa Yugoslavia Congo Portugal Uruguay Tunisia Algeria Argentina Guatemala	Romania Hungary France Cyprus Belgium Netherlands Trinidad and Tobago Italy Gabon Suriname New Zealand Spain	Kuwait Bahrain West Germany Sweden Norway Australia Denmark Canada
1-1.99%	Zaire Nepal	Central African Republic Sao Tome & Principe Malawi Sri Lanka Haiti Rwanda Uganda	Bolivia† Philippines Sudan Ivory Coast Papua New Guinea	Panama† Paraguay Ecuador Dominican Republic Jamaica Fiji† Colombia	Ireland Austria Venezuela Malta Japan	Switzerland Finland Luxembourg
Under 1%		Sierra Leone Niger The Gambia	Costa Rica	Brazil Mexico Ghana† Mauritius	Barbados	Iceland

Source: Table I

*Countries are listed within blocks in descending order of ME/GNP

†Ranking is based on a rough approximation of one or more variables for which 1983 data or reliable estimates are not available.

Figure 5

Arms Transfers

- **World deliveries drop.** World arms transfer deliveries declined in 1983 and 1984 from the all time high of over $38 billion, in constant 1982 dollars, reached in 1981 and maintained in 1982 (Figure 6). The reductions averaged 8.3% a year in constant 1982 dollars and 4.6% in current dollars. The lowered delivery levels of 1983 and 1984 are likely to continue in the near future, because totals for arms transfer agreements reached in those years also dropped by about 25% from the 1982 peak. (Table A).

Import Trends

- **Developing country imports down but Developed country imports up.** Arms deliveries to Developing countries also peaked in 1982, at $32 billion, drop-

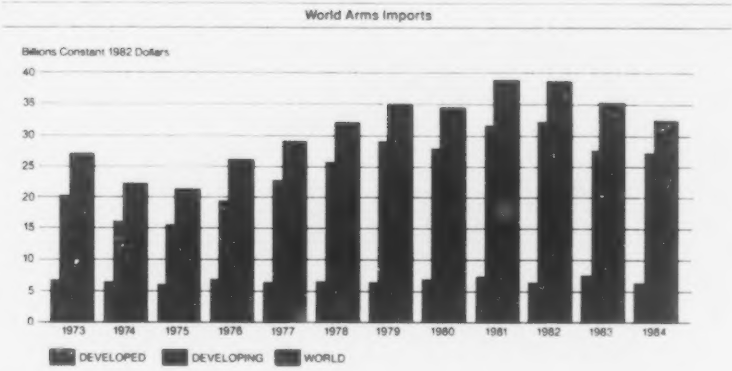


Figure 6

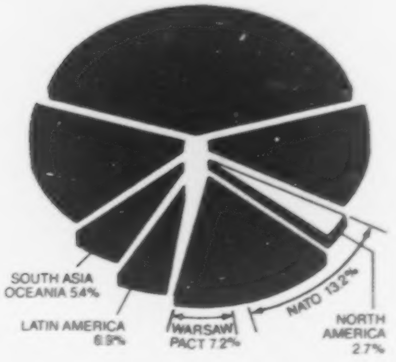
Table 3
Arms Imports
(In percent)

	World Share		Real Growth Rate*	
	1973	1983	1973-83	1980-83
World	100.0	100.0	5.7	0.4
Developed	24.9	22.1	1.3	2.0
Developing	75.1	77.9	7.0	0.0
Region:				
Africa	3.4	12.9	18.1	−9.4
East Asia	31.8	9.3	1.9	−11.9
Europe, all	26.7	20.2	0.4	0.2
NATO Europe	8.7	10.6	4.4	4.5
Warsaw Pact	4.0	7.4	5.8	3.4
Other Europe	2.8	2.2	2.6	−6.4
Latin America	4.2	6.8	12.8	5.5
Middle East	27.4	42.6	9.2	8.6
North America	2.3	2.8	5.0	18.9
Oceania	0.8	1.1	8.1	−4.5
South Asia	3.3	4.3	11.6	−6.2
Organization:				
NATO, all	10.9	13.4	4.4	6.8
Warsaw Pact	4.0	7.4	5.8	3.4
OPEC	11.9	34.6	14.1	8.5
OECD	14.3	18.5	6.0	5.1

*Average real growth is calculated from data in constant 1982 dollars as a compound rate and fitted to all years. (See Statistical Notes.)

ping sharply in 1983 and slightly further in 1984 (Figure 6). The 1983 decline in aggregate Developing country GNP is probably a contributing factor to the decline in their arms imports, and future arms transfers to these countries will continue to be influenced by the effects of the world recession and their foreign debt positions. At the same time, the Developed countries maintained a positive growth rate of 2 percent in arms imports from 1980-1983 (Table 3). In 1984, however, total new arms agreements for the Developed countries showed a decline (Table A).

- **Imports of most developing regions declining.** For the 1980-1983 period, all individual developing regions except the Middle East and Latin America had declining arms import trends (Table 3). The Middle East continues to be the major recipient of arms transfers; in 1983 its share of the world total reached almost 43% (Figure 7), and its share of the Developing countries total reached nearly 55%. The downturn was particularly sharp for East Asia (−12%), Africa (−9%), and South Asia (−6%), as shown in Table 3. From 1982 to 1983, every developing region decreased its arms imports, and this trend continued in 1984 for the Developing group as a whole. Prospects for the near term are uncertain; total agreements for transfers to Developing countries showed a slight upturn in 1984 over 1983.



Shares of World's Arms Imports, 1983

Figure 7

- **Warsaw Pact and NATO arms import trends differ.** The arms imports of the Warsaw Pact countries as a group declined in 1981-84 from the previous four-year period. In fact, Soviet exports to the Pact have declined in each four-year period since 1973-76, both absolutely and in proportion to other Warsaw Pact exporters. The Soviet Union's imports from other Pact countries dropped steadily from 1978 to 1982, with a rebound in 1983. At the same time, NATO arms imports increased substantially since 1973 and were almost twice those of the Warsaw Pact in 1983 (Figure 7). Over 95% of these imports came from other NATO countries (Table B).
- **Leading importers mainly in the Middle East.** Five of the nine leading arms importing countries in 1983 were located in the Middle East (Figure 8). Iraq's massive acquisition of over $5 billion in arms in 1983 set a new record for one year's imports. Of these nine top importers, four were supplied primarily by the Soviet Union (Iraq, Libya, Syria, and India) and the United States was the primary supplier of two (Saudi Arabia and Egypt).

Export trends

- **Developing countries' market share gains.** The Developing countries increased their market share of arms exports from 2% in 1973 to 11% in 1983, the growth rate accelerating in 1980-83 to 32 percent (Table 4 and the Brief on Market Shares in World Arms Exports, 1963-1984).

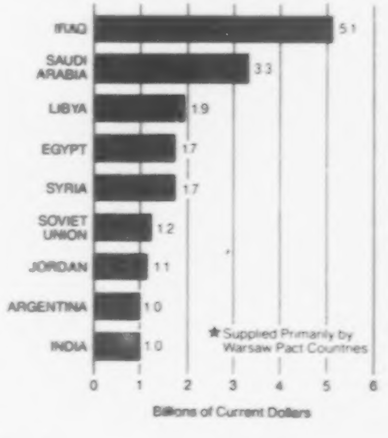
Table 4
Arms Exports
(In percent)

	World Share		Real Growth Rate*	
	1973	1983	1973-83	1980-83
World:	100.0	100.0	5.8	1.0
Developed	97.7	88.9	4.7	−1.5
Developing	2.3	11.1	23.4	31.8
Region:				
Africa	0.0	0.2	28.3[a]	104.8
East Asia	1.8	6.3	23.2	38.2
Europe, all	56.3	60.2	7.8	−4.6
NATO Europe	13.8	24.6	12.6	−1.3
Warsaw Pact	42.9	31.8	4.9	−7.6
Other Europe	0.7	4.3	8.8	5.8
Latin America	0.1	0.4	8.9[b]	1.3
Middle East	0.2	0.8	10.7	12.2
North America	40.3	30.4	0.4	9.7
Oceania	0.1	0.1	7.1	−12.5
South Asia	0.0	0.8	18.4	60.8
Organization:				
NATO, all	54.2	55.0	4.4	4.0
Warsaw Pact	42.9	31.8	4.8	−7.6
OPEC	0.0	0.3	9.2	23.1
OECD	54.9	59.1	4.8	4.2

*Average real growth is calculated from data in constant 1982 dollars as a compound rate and fitted to all years. (See Statistical Notes.)

[a] 1975-1983

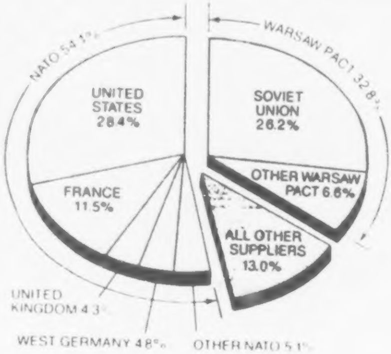
[b] 1974-1983



Leading Arms Importing Countries, 1983

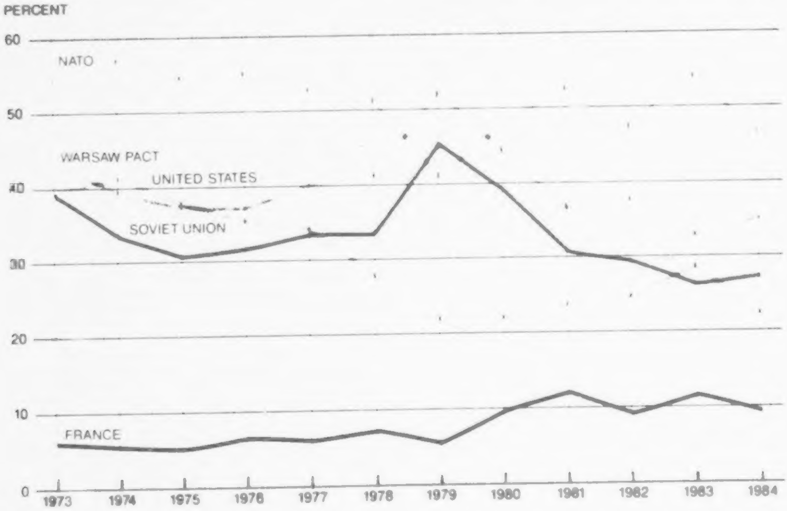
Figure 8

- **Soviet Union back in first.** Whereas in 1983 the United States was the leading exporter (Figure 9), the Soviet Union, with deliveries of $9.4 billion to the World and $8.6 billion to developing countries, took over first place in 1984, the United States delivering $7.7 and $4.8 billion, respectively (Figure 10 and Table A). The Soviet Union also has the lead for the 1981-1984 period (Table 5 and Table B). In terms of agreements, the Soviet Union took a slight lead in 1984, although the United States had a larger total for the 1981-1984 period.



Shares of World Arms Exports, 1983

Figure 9



Arms Exports as a Percent of the World Arms Export Trade, 1973-1984

Figure 10

Table 5
Deliveries of Major Arms Exporters, 1981-1984

	Distribution (%)		Ratio to deliveries in 1973-76	
	To World	To Developing	World	Developing
Total, all exporters	100.0	100.0	2.6	2.9
Soviet Union	28.4	31.7	2.2	2.9
United States	24.6	17.4	1.7	1.2
France	10.7	12.9	4.1	5.7
United Kingdom	5.2	5.3	3.1	3.3
West Germany	4.3	4.6	4.2	4.2
Italy	2.9	3.4	4.2	4.6
Other Warsaw Pact	7.0	5.5	3.1	5.5
Other NATO	2.5	2.6	2.5	3.9
Other communist	5.6	6.9	5.9	5.9
Other non-communist	8.9	9.7	6.9	8.3

- **The Superpowers' dominant role as arms suppliers diminishing.** For the first time, in 1984 the share of the Soviet Union and the United States in world arms deliveries fell below one-half, as is discussed in the Brief on Market Shares in World Arms Exports, 1963-1984. France continues in third place in both deliveries and agreements in 1984 and in the 1981-84 period. An upsurge in agreements with the Developing countries in 1984 put France in second place in that category, ahead of the United States. (Table A)

◆

Relative Indicators

In addition to the absolute data on military and economic variables, Tables I and II of this publication carry seven relative indicators derived from these data. Figure II shows these relative indicators for 1983 in order to permit a quick overview of their comparative values and to illustrate the kinds of analysis they might support. Three additional relative indicators—"Military Expenditures per Military Member," "Central Government Expenditures per Capita," and "Central Government Expenditures" in percent of GNP—are also shown in Figure II.

Thus, five relative military indicators and five relative arms trade and economic indicators are shown. These indicators are displayed in four comparative

Relative Indicators — 1983
(all value figures in constant 1982 dollars)

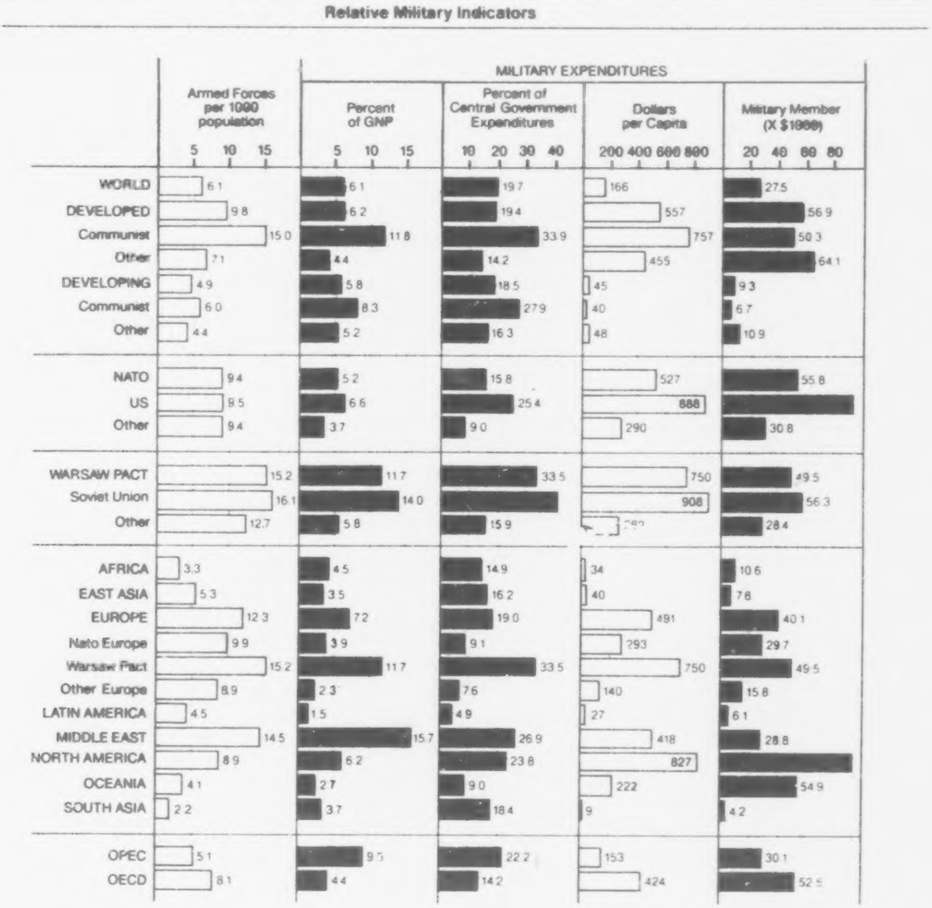


Figure II

groupings: Developed/Developing countries, NATO/Warsaw Pact, Regions, and OPEC/OECD. The Developed/Developing countries are further divided into Communist and Other groupings. Likewise, the NATO/Warsaw Pact countries are divided into US and Other groupings for NATO and the Soviet Union and Other for the Warsaw Pact. Europe, under the Regions grouping, is divided into NATO Europe, Warsaw Pact, and Other Europe.

The chart may be read either horizontally or vertically for informative comparisons. The first column, "Armed Forces per 1,000 Population," shows that the two regions with the highest ratio of servicemen to civilian population are Europe and the Middle East. The high ratio for Europe reflects its status

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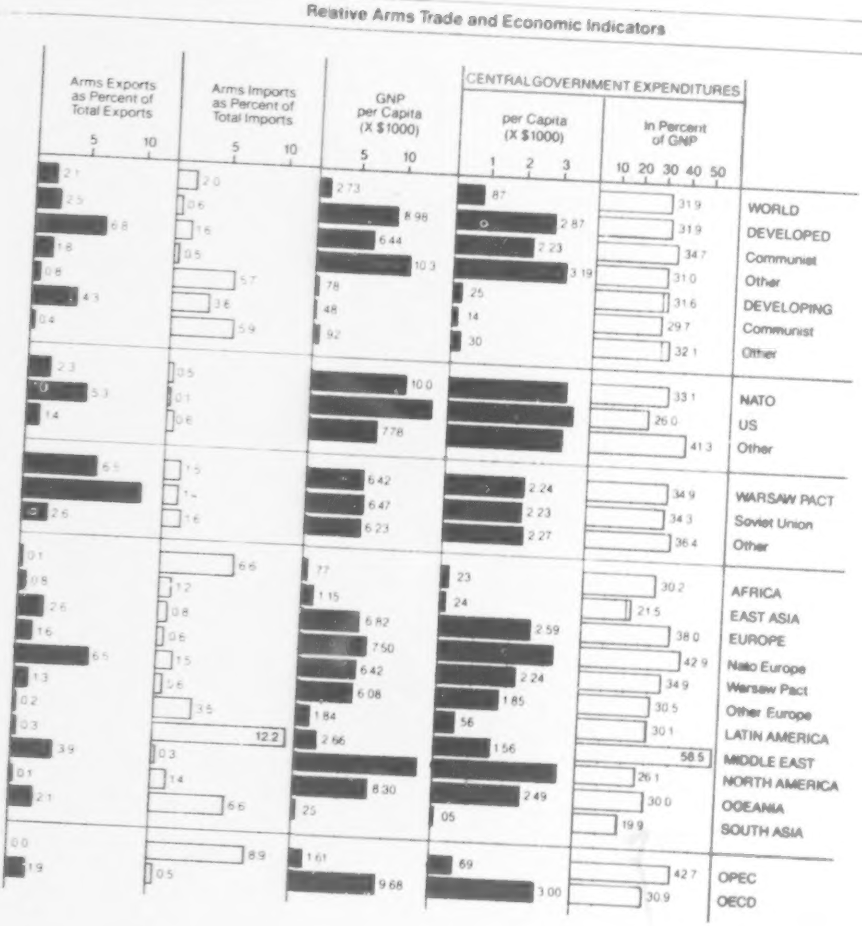
The developed Communist grouping consists of the Soviet Union, East Germany, Poland, Czechoslovakia, Hungary and Romania. The developing Communist grouping consists of Bulgaria, Cuba, Mongolia, Vietnam, North Korea, China, Albania, and Yugoslavia.

Relative Indicators — 1983

(all value figures in constant 1982 dollars)



as the central arena and focal point of the competition between the world's two major military alliances. The Middle East, a center of tension for decades, has a relatively limited population to support the large forces in the area. This column also shows that communist countries devote far more of their human resources to the armed forces than do other countries. The Warsaw Pact has a higher ratio of servicemen to 1,000 population, 15.2 compared to 9.4 for NATO. In the developed world, the communist advantage in this indicator is 15.0 to 7.1; in the developing world, 6.0 to 4.4. In the developing world, the communist advantage would be 27.7 to 4.4 if China, with its huge population, were not counted in the Communist grouping; China can support an armed force of 4.1 million with a very moderate ratio of 4.0 servicemen to each 1,000 population.

Reading across the Middle East line makes apparent how militarized this region has become. "Military Expenditures" account for 15.7 percent of the GNP in the Middle East, the highest percent of any region or grouping on the chart. In a region where the GNP per capita is only $2,662 (close to the world's average), military expenditures per capita are $418 (two-and-a-half times the world figure). Military expenditures in the Middle East are also the highest of any region as a share of "Central Government Expenditures" (26.9 percent), except for the Warsaw pact (33.5 percent); this is particularly significant because at 58.5 percent "Central Government Expenditures" as a percent of GNP in the Middle East are by far the highest of all regions. The latter figure is due, in large part, to the availability of large oil revenues which are administered by central governments. The Middle East also dominates in "Arms Imports as Percent of Total Imports," with 12.2 percent.

Comparing NATO and the Warsaw Pact across the breadth of the ten indicators leads to some interesting observations. The Warsaw Pact, with a $6,416 per-capita GNP, outspends NATO, with a $10,044 per-capita GNP, $750 to $527 per capita in military expenditures. Likewise, the Warsaw Pact leads NATO in military expenditures as a "Percent of GNP" (11.7 percent to 5.2 percent) and military expenditures as a "percent of Central Government Expenditures" (33.5 percent to 15.8 percent). However, NATO outspends the Warsaw Pact per military member ($55,800 to $49,500).

The United States and the Soviet Union carry by far the greatest burden of military expenditures in their respective alliances. In 1983, the Soviet per-capita military expenditure was $908; for the rest of the Warsaw Pact, it was $362. The comparable US expenditure was $888; for the rest of NATO, it was $290. The Soviet Union spent 14 percent of its 1983 GNP on military expenditures, while its Warsaw Pact allies spent only 5.8 percent. The US spent 6.6 percent of its GNP on military expenditures in 1983, as compared to 3.7 percent for its NATO allies. Part of the reason is that the two superpowers support expensive strategic and global forces which other alliance members do not.

Each column or line of the chart is worth analysis; it may either support one's beliefs or dispel false notions. For example, Latin America, which is sometimes considered to be a region dominated by the military, is last among all regions of the world in "Percent of GNP" (1.5 percent) and "Percent of Central Government Expenditures" (4.9 percent) dedicated to 1983 military expenditures. Latin America is also comparatively low in other relative indicators of militarization such as armed forces per 1,000 population (4.5).

◆

Indicators of Militarization

The degree to which societies are militarized is of basic importance for many types of analysis. Yet how best to gauge militarization is itself not a well-analyzed subject.[1] Far more attention has been devoted to aspects of foreign policy which can be construed as militaristic in the sense that military threats or force are instruments of that foreign policy than has been devoted to more tangible indicators of the militarization of societies.

Properly utilized, the indicators of military activity presented in this publication provide as close and objective approximations as one can readily find of the extent to which societies have been militarized. Moreover, these indicators avoid passing judgment on the rationale or virtue of the levels of militarization indicated. Based on the data in this edition of WMEAT, this note addresses the issue of militarization, with particular attention to the striking differences between communist and non-communist societies.

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[1] For an important exception see James L. Payne, "Marx's Heirs Belie the Pacifist Promise," *The Wall Street Journal*, April 5, 1985, and "Marxism and Militarism," *Polity*, forthcoming, 1986.

Four indicators of militarization are presented in Table I of this publication and in Figure II above: The ratios of military expenditures to GNP, to central government expenditures, and per capita, and of armed forces per 1000 people. The most comprehensive gauge of a country's militarization, at least from the burden or input side, is generally agreed to be the share of GNP devoted to the military sector. This indicator takes into account all the resources devoted to the military: manpower, raw material, investment, technology, etc. In the case of developed Western countries, such data are usually quite good. For communist countries and many non-communist developing countries, however, these data are much poorer and, especially in the Soviet case, often controversial. Despite estimating uncertainties, there would appear to be a statistically significant difference between the share of GNP devoted to the military by NATO (4.3-5.2 percent) and that devoted to the military by the Warsaw Pact (11.3-11.8 percent) over the past decade, as shown in Table I.

A similar ratio of over two-to-one in favor of the Warsaw Pact is shown by the ratio of military expenditures to central government expenditures. Similarly, for the Warsaw Pact, military expenditure per capita is roughly half again as large as in NATO, despite a significantly lower level of GNP per capita. The fourth indicator of militarization, armed forces per 1000 people, reinforces the conclusion that over the past decade the Warsaw Pact, with a ratio that ranged from 14.8 to 15.3, has been significantly more militarized than NATO, with ratios of 9.2 to 10.2.

Arms exports, as reported in Tables II-IV of this publication, may provide an additional, more limited indicator of a country's or group's militarization, by reflecting reliance on military production capacity to achieve foreign policy goals. Although arms exports constitute only a small share of GNP, they may play an important role in extending political influence and can provide significant earnings, particularly if convertible currencies are involved. Again, arms export comparisons between NATO and the Warsaw Pact reveal an appreciably higher share by the Pact. For the 1973-1983 period arms exports constituted 6.1 to 11.1 percent of total Warsaw Pact exports compared to 1.3 to 2.3 percent of total NATO exports (Table II); from 1979-1983 Warsaw Pact exports were significantly higher than those by NATO for land armaments, aircraft, and missiles, but trailed in naval craft, as shown in Table IV.

Although the data are often poor, established communist states outside the Warsaw Pact also generally have relatively high indicators of militarization, particularly in relation to their modest levels of development. The following table shows the ratios of military spending to GNP and of armed forces per 1000 people for 1983 (unless otherwise indicated) for the seven non-Warsaw Pact communist countries (from Table I):

	Milex/GNP (percent)	Armed Forces/ 1000 People
Albania	7.8*	20.0*
China	8.6	4.0
Cuba	5.0**	25.3
Mongolia	NA	21.1
North Korea	16.7	40.8
Vietnam	NA	20.8
Yugoslavia	3.7	11.4

*1979 data.
**1982 data.

These data can be compared to data for the non-communist developing countries, for which the percent of GNP devoted to military expenditures in 1983 averaged 5.2 percent and the ratio of armed forces per 1000 population was 4.4 (from Figure II). For these communist countries, arms exports have played a much less significant role than for the Warsaw Pact countries, although China, North Korea, and Yugoslavia have developed their arms exports in the 1980s.

There is now also a relatively new group of countries which, within the past decade or so, have proclaimed themselves to be Marxist-Leninist states to some degree. A number of the more prominent members of this group tend to have relatively high ratios of military expenditures to GNP and of armed forces per 1000 people (1983 data unless otherwise noted from Table I):

	Milex/GNP (percent)	Armed Forces/ 1000 People
Ethiopia	8.6*	6.4
Iraq	47.2	34.5
Nicaragua	10.2	16.4
Somalia	9.1	7.7
South Yemen (Aden)	17.4	11.9
Syria	13.0	22.7

*1982 data

These data significantly exceed those for developing countries as a whole, which devoted 5.8 percent of their GNP to military expenditures and had a ratio of 4.9 armed forces per 1000 population (from Figure II).

Although, in most of the above cases, some extenuating circumstances can be cited to help explain such high levels of militarization, the more intriguing question for the long run is whether these regimes will as a matter of course militarize their countries, just as established communist regimes have tended to do. The empirical results are only beginning to emerge. But the apparent tendency toward militarization by communist countries is something that those interested in constraining military expenditures and the arms trade will want to measure and analyze very closely in the coming years.

World Arms Flows, 1979-1983

Figure 12 shows the cumulative value of arms transfers for the period 1979-1983 by major supplier or group of suppliers and recipient geographical region. In the chart, which reflects the detailed data compiled in Table III, the area of the circles, representing the suppliers, and the area of the squares, representing the recipients, are proportional to the value of the arms transferred in billions of current dollars. The width of the flow lines is also proportional to the value of the arms passing from a supplier to a given recipient region, which is noted on the horizontal flow line.

The two leading arms exporting states during 1979-1983—the Soviet Union and the United States—had cumulative exports amounting to 57 percent of the world total. Soviet exports of $56.5 billion exceeded US exports of $40.4 billion by 40 percent. Indeed, one-third of all world arms exported during this period came from the Soviet Union. Soviet arms exports are distributed in rough proportion to the total amount of arms received by a particular region; that is, the Soviet Union is a major supplier to every region. By contrast, the United States delivered over 90 percent of its total arms exports to those regions of the world where it has long-standing treaty arrangements or security commitments: North America/Europe (NATO), East Asia (Japan, Taiwan, South Korea, Thailand, the Philippines), and the Middle East (Israel, Egypt, Saudi Arabia).

Eighty-eight percent of all arms exported emanated from the countries of the world's two major alliances: NATO, including France, and the Warsaw Pact. France was the world's third largest arms supplier during this period, exporting $16.7 billion worth of arms. The United Kingdom ($9.5 billion), West Germany ($6.6 billion), and Italy ($4.7 billion) were the world's fourth, fifth, and sixth largest arms suppliers, respectively. Non-Soviet Warsaw Pact countries exported a total of $10.9 billion worth of arms during 1979-1983, an amount equal to only 16 percent of the total Warsaw Pact arms exports. Plainly, the Soviet Union dominates Warsaw Pact arms sales. By contrast, US arms exports were roughly equal to the arms exports from other NATO countries for the same period.

Other suppliers provided $20.2 billion of world arms exports, 12 percent of the total, during this five-year period. The major suppliers in this group were China, ($3.5 billion), Switzerland, ($2.0 billion), South Korea, ($2.0 billion), North Korea ($1.8 billion), Israel ($1.4 billion), Yugoslavia ($1.3 billion), and Spain ($1.1 billion). Most of the arms transferred from this group of countries went to the world's developing nations.

Fifty-five percent of the world's total of arms transfers during this period were directed to the Middle East and Africa, the world's two poorest regions, whose combined 1983 GNP was less than 6 percent of the world's total. This is a remarkable increase from the 24 percent total of world arms exports that was furnished to these two regions as late as 1972, before the first major oil crisis. Increased availability of cash from higher oil revenues, coupled with Soviet penetration of the area through arms transfers to such countries as Algeria, Libya, Ethiopia, Angola, Iraq, and Syria, have radically increased the share of these two regions in the world's arms imports.

The Middle East was the world's largest recipient region during 1979-1983, receiving 39 percent of all arms transferred. Iraq ($17.6 billion), Saudi Arabia ($12.1 billion), and Syria ($10.5 billion) alone accounted for 62 percent of all arms imported into the Middle East. As the chart indicates, all major world suppliers provided a large percentage of their arms exports to that region.

Europe is the world's second largest arms recipient region, but the majority of arms transfers to Europe are intra-alliance transfers within NATO and the Warsaw Pact. North America (the US and Canada) is very much a self-sufficient arms market, with 97 percent of its small amount of arms imports being a result of NATO intra-alliance transfers.

Latin America, for all its reputation as a region traditionally controlled by military regimes, accounted for only 7 percent of total world arms imports during the reporting period. The United States is not an important arms supplier to Latin America; its total of $0.7 billion in arms exports is far less than the Soviet total of $3.6 billion and even falls behind France ($1.9 billion), West Germany ($1.2 billion), and Italy ($1.1 billion) as an arms supplier to this region.

In the East Asian region, the single largest supplier-recipient relationship is the Soviet-Vietnam connection, which at $5.2 billion accounted for 27 percent of all arms transfers to the region. The Soviet Union's transfer of arms to India and Afghanistan accounted for over 60 percent ($5.2 billion) of the total arms transfers to South Asia during the reporting period.

Value of Arms Transfers, Cumulative 1979-1983 by Major Supplier and Recipient Region (billion current dollars)

Area of circles (suppliers) and squares (recipients) is proportional to cost of arms transferred or received

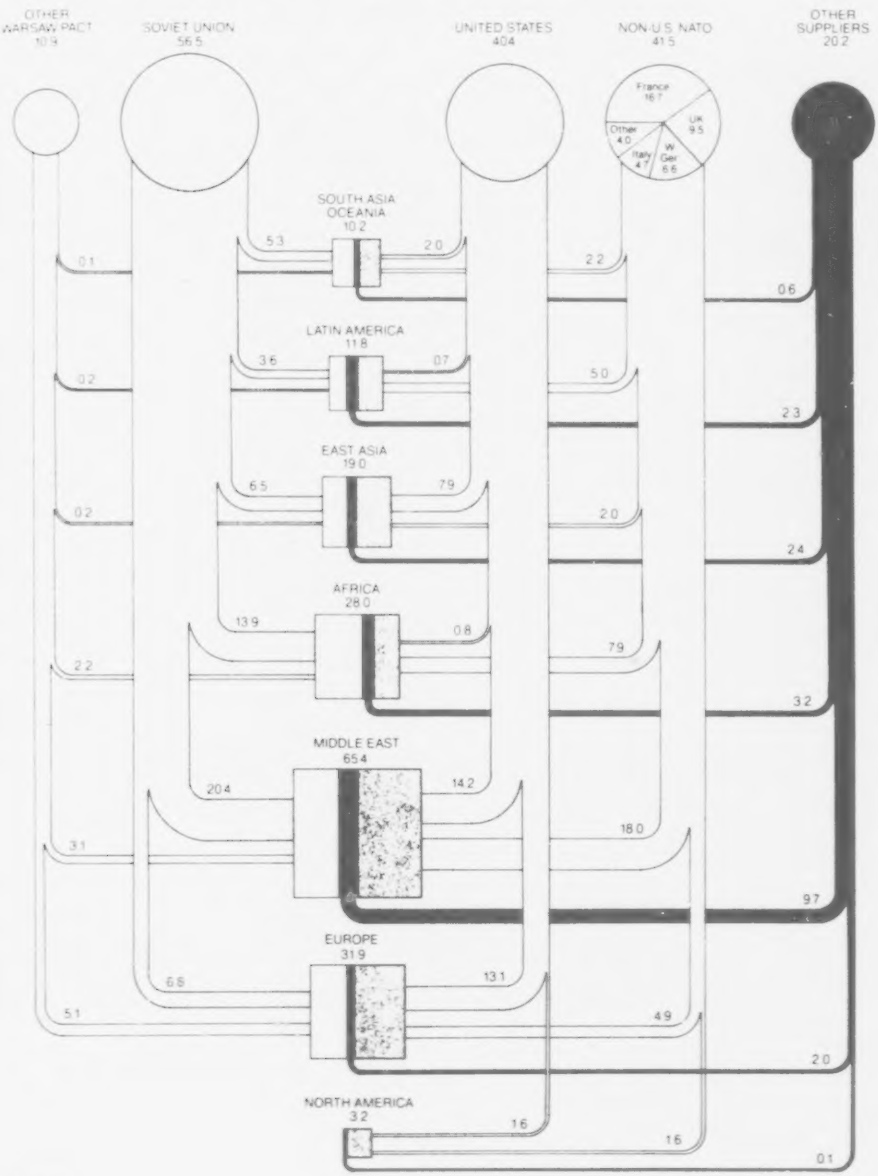

Figure 12

TABLE III. Value of Arms Transfers, Cumulative 1979-1983, By Major Supplier and Recipient Country — continued
(Millions Current Dollars)

RECIPIENT \ SUPPLIER	TOTAL	SOVIET UNION	UNITED STATES	FRANCE	UNITED KINGDOM	WEST GERMANY	ITALY	CZECHO-SLOVAKIA	CHINA	ROMANIA	POLAND	OTHERS
LATIN AMERICA	11,755	3,640	715	1,855	555	1,215	1,090	40	-	-	15	2,630
ARGENTINA	2,480	-	80	360	150	925	180	-	-	-	10	775
BARBADOS	10	-	-	-	10	-	-	-	-	-	-	-
BOLIVIA	205	-	10	-	-	5	-	-	-	-	-	190
BRAZIL	500	-	80	60	260	-	70	-	-	-	-	30
CHILE	1,090	-	10	600	40	10	-	-	-	-	-	430
COLOMBIA	265	-	50	-	10	30	-	-	-	-	5	170
COSTA RICA	-	-	-	-	-	-	-	-	-	-	-	-
CUBA	3,140	3,100	-	-	-	-	-	40	-	-	-	-
DOMINICAN REPUBLIC	20	-	10	-	-	-	-	-	-	-	-	10
ECUADOR**	920	-	40	410	50	-	180	-	-	-	-	240
EL SALVADOR	130	-	90	30	-	-	-	-	-	-	-	10
GUATEMALA	65	-	10	5	-	-	-	-	-	-		50
GUYANA	20	-	-	-	10	-	-	-	-	-	-	10
HAITI	10	-	-	-	-	-	-	-	-	-	-	10
HONDURAS	35	-	20	-	10	-	-	-	-	-	-	5
JAMAICA	-	-	-	-	-	-	-	-	-	-	-	-
MEXICO	320	-	110	20	-	-	-	-	-	-	-	190
NICARAGUA	280	100	-	10	-	-	-	-	-	-	-	170
PANAMA	40	-	30	-	-	-	-	-	-	-	-	10
PARAGUAY	55	-	5	-	-	-	-	-	-	-	-	50
PERU	1,210	440	50	260	-	240	110	-	-	-	-	110
SURINAME	15	-	-	-	5	-	-	-	-	-	-	10
TRINIDAD AND TOBAGO	20	-	-	-	-	-	-	-	-	-	-	20
URUGUAY	145	-	10	70	-	5	-	-	-	-	-	60
VENEZUELA**	780	-	110	30	10	-	550	-	-	-	-	80

TABLE IV. Number of Arms Delivered, Cumulative 1979-1983, By Selected Supplier[a], Recipient Developing Region[b], and Major Weapon Type — continued

EQUIPMENT TYPE \ SUPPLIER	TOTAL	SOVIET UNION	OTHER WARSAW PACT	UNITED STATES[c]	FRANCE	UNITED KINGDOM	OTHER NATO	CHINA	OTHER DEVELOPED	OTHER DEVELOPING
LATIN AMERICA										
LAND ARMAMENTS										
TANKS	688	325	20	28	20	-	45	-	155	95
ANTI-AIR ARTILLERY[d]	470	235	40	-	-	-	80	-	75	40
FIELD ARTILLERY[e]	1,499	490	115	479	100	-	30	-	285	-
ARMORED PERSONNEL CARRIERS	1,315	185	60	-	75	15	190	-	690	100
NAVAL CRAFT										
MAJOR SURFACE COMBATANTS[f]	50	3	-	7	9	4	25	-	2	-
OTHER SURFACE COMBATANTS[g]	113	29	2	6	5	8	34	-	27	2
SUBMARINES	7	3	-	-	-	-	4	-	-	-
MISSILE ATTACK BOATS	8	8	-	-	-	-	-	-	-	-
AIRCRAFT										
COMBAT AIRCRAFT: SUPERSONIC	267	130	-	12	25	-	-	-	80	-
COMBAT AIRCRAFT: SUBSONIC	62	-	-	32	15	10	-	-	5	-
OTHER AIRCRAFT[h]	457	45	30	32	45	10	110	-	80	105
HELICOPTERS	385	65	-	55	205	5	30	-	25	-
MISSILES										
SURFACE-TO-AIR	1,125	700	-	-	50	345	-	-	30	-

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Collective Security and the Inter-American System

The Western Hemisphere has a unique experience of international cooperation that goes back to the late 19th century. In the 1930s and 1940s, the American states developed procedures for collective response to external aggression and conflicts among nations of the hemisphere. These procedures were formalized in the Rio Treaty and the Charter of the Organization of American States. They have proved valuable in preventing or halting hostilities, and have also been used to mobilize support against communism.

Background, 1889–1945

The inter-American system is the oldest regional society of nations in the world, dating back to the First International Conference of American States, held in Washington from November 1889 to April 1890. The concept of collective security emerged as a major element in the inter-American system during the 1930s in response to attempts by the Axis Powers to increase their economic and political influence in Latin America. At inter-American conferences in Montevideo (1933), Buenos Aires (1936), and Lima (1938), the American states, in response to U.S. initiatives and U.S. pledges of non-intervention, agreed that whenever the peace of the hemisphere was threatened, the foreign ministers of the American republics would meet to consult on possible common action. A series of resolutions adopted at the first three meetings of foreign ministers (Panama, 1939; Havana, 1940; and Rio de Janeiro, 1942) further developed the inter-American system of collective security as the American states affirmed the principle of hemispheric solidarity against external aggression and established mechanisms to promote defense of the hemisphere. Meeting in Mexico City in March 1945, the American states adopted the Act of Chapultepec, which provided for collective action, including the possibility of the use of armed force, against aggression from either a non-American or hemispheric nation, and pledged the signatories to negotiate a permanent inter-American collective security treaty once the war had ended.

The Rio Treaty

The goals of solidarity, cooperation, and collective response to aggression, and the procedures for consultation developed in the late 1930s and early 1940s were formalized in the Rio Treaty, adopted at the Inter-American Conference for the Maintenance of Continental Peace and Security, held near Rio de Janeiro between August 15 and September 2, 1947. The Rio Treaty established a permanent inter-American regional security mechanism within the framework of the U.N. Charter. Under the treaty's terms, the signatory nations agreed to act collectively in the event of aggression against any one of them whether it was an armed attack or some other type of threat to their territory, sovereignty, or independence. Collective action could be taken not only against non-American aggressors but also against any member of the regional community which threatened the peace. The treaty provided that any party to its terms could initiate a meeting of foreign ministers (MFM) by making a request to the Governing Board of the Pan American Union (predecessor of the Permanent Council of the Organization of American States). The Governing Board could also act provisionally as the organ of consultation until an MFM could assemble. Decisions on the application of sanctions against aggressors had to be approved by a two-thirds vote of a consultative meeting and were binding on all signatories, with the exception that no member could be required to use armed force without its consent. The Rio Treaty went into effect on December 3, 1948.

The OAS Charter and Collective Security

At the Ninth International Conference of American States, held at Bogota from March 30 to May 2, 1948, the American republics approved a Charter of the Organization of American States (OAS), which placed the inter-American system on a treaty basis and set forth its guiding principles, defined the rights and duties of its members, and described its organizational structure. Among the essential purposes of the OAS, the charter included strengthening the peace and security of the hemisphere, preventing disputes among member states and ensuring the peaceful settlement of disputes that did arise, common action by the American states in the event of aggression, seeking the solution of inter-American political, juridical, and economic problems, and promoting economic, social, and cultural development. The OAS Charter provided for a number of collective security mechanisms to deal with threats to the peace and security of the Americas. MFMs were to be held to consider problems of an urgent nature and to serve as the organ of consultation. The charter specified how and when such meetings should assemble, and further provided that in cases of aggression the American states "shall apply the measures and procedures established in the special treaties on the subject." The charter also declared that "no State or group of States has the right to intervene, directly or indirectly, for any reason whatever, in the internal or external affairs of any other State." Measures "adopted for the maintenance of peace and security in accordance with existing treaties," however, did not constitute a violation of this principle. The OAS Charter went into effect on December 13, 1951.

The Bogota Conference also approved an American Treaty on Pacific Settlement, known as the Pact of Bogota, which provided for good offices, mediation, investigation, conciliation, and arbitration of disputes. The treaty entered into force only for those states ratifying it and, so far as their relations were concerned, superseded a number of prior inter-American agreements on peaceful settlement of disputes to which they were party. To date, 14 states have ratified the treaty. The United States signed the treaty but has not ratified it.

Collective Security in Action

Collective security procedures have been applied under both the Rio Treaty and the OAS Charter, most often under the former but with reference to the latter on several occasions. The majority of cases have involved longstanding inter-American tensions, rivalries, or territorial disputes, and the collective security mechanisms of the inter-American system have generally been able to halt hostilities among disputants, if not to resolve the underlying causes of conflict. In many instances Permanent Council action has been sufficient and the foreign ministers have not had to meet. With a few exceptions, OAS action has consisted of investigating conditions and facilitating peaceful settlement of disputes. Sanctions were first imposed in 1960 when the Sixth MFM called on member states to break diplomatic relations and suspend trade in arms with the Dominican Republic. Although the inter-American system's collective security arrangements provide for the use of armed force in certain instances, the American states have been reluctant to exercise this option. In the cases where military personnel have been utilized in conflict resolution, their role, with few exceptions, has been limited to that of observers or expert members of fact-finding missions.

Communism and the Cuban Threat

Several applications of collective and security mechanisms have involved the issue of communism, and since 1959 the Castro regime in Cuba has been a source of special concern. The 1948 Bogota Conference and the Fourth MFM (1951) adopted U.S.-sponsored resolutions condemning communism and calling on the American states to adopt measures to eradicate and prevent communist activities. In response to U.S. initiatives, the Tenth Inter-American Conference, held in Caracas in March 1954, declared that control of the political institutions of any American state by the international communist movement would constitute a threat to the independence and peace of the Americas and would call for a consultative meeting in accordance with provisions of the Rio Treaty. In June 1954, the United States and nine other member states requested an MFM under the provisions of the Rio Treaty due to "the demonstrated intervention of the international communist movement in the Republic of Guatemala and the danger which this involves for the peace and security of the Continent." Although the OAS council voted to convoke an MFM, the Guatemalan Government was overthrown before it could assemble.

In August 1960, the Seventh MFM adopted the Declaration of San José which, while not naming Cuba specifically, condemned "the intervention or the threat of intervention" by an extracontinental power in the affairs of the American Republics, and rejected the efforts of the "Sino-Soviet powers" to destroy hemispheric unity. The Eighth MFM, held in Punta del Este from January 22 to 31, 1962, rejected communism as a means of achieving economic development and social justice and declared that adherence by any OAS member to Marxism-Leninism was incompatible with the inter-American system. This incompatibility, a majority of the Foreign Ministers decided, excluded the present Government of Cuba from participation in the inter-American system. The MFM called on members to suspend trade in arms with Cuba, excluded Cuba from participation on the Inter-American Defense Board (IADB), and established a Special Consultative Committee on Security (SCCS) to make recommendations on countering international communist subversion in the hemisphere. (The OAS terminated the SCCS in December 1975.)

Following the discovery of arms originating in Cuba on the Venezuelan coast in late 1963, the Ninth MFM, held in Washington, in July 1964, condemned Cuba for seeking to subvert and overthrow the Government of Venezuela, and imposed sanctions which included the breaking of diplomatic and consular relations and the suspension of trade and sea transportation, except for foodstuffs, medicine, and medical equipment. Three years later, the Twelfth MFM condemned Cuba for its intervention in Venezuela, Bolivia, and other American states, and appealed to other Western states to restrict their trade with Cuba.

By the end of the 1960s, several states had begun to question continuing sanctions against Cuba. After the Fifteenth MFM in November 1974 failed to adopt a resolution calling for an end to sanctions, the Sixteenth MFM, on July 29, 1975, approved a resolution which left member states "free to normalize or conduct in accordance with the national policy and interests of each their relations with the Republic of Cuba at the level and in the form that each State deems advisable."

An Inter-American Peace Force

The Rio Treaty created the political framework for collective security, but it did not establish a combined military command (such as NATO) nor a military planning agency. Since its creation by the Third MFM in 1942, the IADB has performed an advisory role outside the formal structure of the OAS. In 1962, with U.S. assistance, the IADB established an Inter-American Defense College to provide advanced training for selected personnel from the armed forces of the Americas.

In these circumstances, inter-American peacekeeping forces have been *ad hoc* and temporary. In October 1962, at the urging of the OAS Council, Argentina and the Dominican Republic participated in the U.S. quarantine of Cuba. In 1965, the Tenth MFM sponsored the creation of an inter-American peace force to help restore peace in the Dominican Republic. Following the Dominican experience, some OAS members, led by the United States, called for the creation of a permanent inter-American peace force to serve as the military arm of the organization in future collective actions. Although this idea was discussed at various inter-American conferences over the next two years, it failed to gain the support of a majority of American states. The OAS also rejected a June 1979 U.S. proposal to establish an OAS peacekeeping force to help restore order in Nicaragua and provide conditions under which free elections could be held.

OAS Charter and Rio Treaty Revisions

Almost two decades after the Bogota Conference of 1948, the Third Special Inter-American Conference met in Buenos Aires between February 15 and 27, 1967, and approved a series of amendments to the OAS Charter (Protocol of Buenos Aires). The protocol created the General Assembly as the new supreme body of the OAS (replacing the Inter-American Conference) and strengthened and broadened the organization's economic and social functions. No structural or procedural changes were made in the organization's security functions, nor was the Rio Treaty affected by the charter amendments. The amendments went into effect in February 1970.

In July 1975, a Conference of Plenipotentiaries meeting in San José approved a protocol of amendment to the Rio Treaty drafted by the Special Committee to Study the Inter-American System, created by the OAS General Assembly in 1973. Among its provisions, the protocol narrowed the geographic area covered by the treaty, eliminating Greenland and some high seas areas; limited its applicability to member states rather than to all American states; provided that nothing in the treaty was to be interpreted as impairing "the principle of nonintervention and the right of all States to choose freely their political economic and social organization," and added a provision stating that "for the maintenance of peace and security in the Hemisphere, collective economic security for the development of the Member States of the Organization of American States must also be guaranteed through suitable mechanisms to be established in a special treaty." The United States, in signing the protocol, included a reservation stating that it accepted "no obligation or commitment to negotiate, sign or ratify a treaty or convention on the subject of collective economic security." This reservation was retained when the United States ratified the protocol on September 20, 1979. To date, only 7 member states (of the 14 necessary for the amendments to enter into force), have ratified the protocol of amendment.

This paper, by David S. Painter of the Office of the Historian, is one of a series that provides historical background information on selected foreign policy issues.

Members of the Organization of American States and Signatories to the Rio Treaty

States	*OAS Members*	*Rio Treaty*[1]
Antigua and Barbuda	Dec. [illegible]	[illegible]
Argentina	[illegible]	[illegible]
The Bahamas	[illegible]	[illegible]
Barbados	[illegible]	[illegible]
Bolivia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Chile	[illegible]	[illegible]
Colombia	[illegible]	[illegible]
Costa Rica	[illegible]	[illegible]
Cuba	[illegible]	[illegible]
Dominica	[illegible]	[illegible]
Dominican Republic	[illegible]	[illegible]
Ecuador	[illegible]	[illegible]
El Salvador	[illegible]	[illegible]
Grenada	[illegible]	[illegible]
Guatemala	[illegible]	[illegible]
Haiti	[illegible]	[illegible]
Honduras	[illegible]	[illegible]
Jamaica	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
Nicaragua	[illegible]	[illegible]
Panama	[illegible]	[illegible]
Paraguay	[illegible]	[illegible]
Peru	[illegible]	[illegible]
St. [illegible]	[illegible]	[illegible]
St. Vincent and the Grenadines	[illegible]	[illegible]
Santa Lucia	[illegible]	[illegible]
Suriname	[illegible]	[illegible]
Trinidad and Tobago	[illegible]	[illegible] 1967
United States	[illegible]	[illegible] 1947
Uruguay	[illegible]	[illegible]
Venezuela	[illegible]	[illegible]

[illegible]

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Foreign assistance and defense transactions and their direct effect on the U.S. balance of payments: summary of statistical data, 1960-1985, by Vladimir N. Pregelj. Washington, Congressional Research Service, 1986. 8 p. (CRS report 86-921)

FOREIGN ASSISTANCE AND DEFENSE TRANSACTIONS AND THEIR DIRECT EFFECT ON THE U.S. BALANCE OF PAYMENTS: SUMMARY OF STATISTICAL DATA, 1960-1985

Tables contained in this report have been prepared as a response to congressional requests for information on the effect of United States foreign aid and defense operations on the U.S. balance of international payments. 1/ The relationship of both to the balance of payments is often misunderstood and the adverse direct effect of foreign aid has been frequently exaggerated.

Expenditures for foreign aid, both economic and military, fluctuated around the $6 billion level in the early 1960s, increased substantially in the late 1960s -- mainly due to the Vietnam engagement-- and after reaching nearly $12 billion in 1974 receded to about $9 billion in 1977, but rose again to more than $11 billion in 1978 and 1979, and grew to $16 billion in 1982 and 1983 and to almost $19 billion in 1984 and 1985. The share and the amount of this assistance that involve direct dollar outflows (purchases of goods and services from foreign residents, cash payments or contributions to foreign entities or international organizations) and, consequently, affect the balance of payments adversely -- attributable overwhelmingly to the economic portion of foreign aid -- were generally on the downtrend until the end of the 1960s but have been growing since the early 1970s. In 1980, the share of direct dollar outflows reached 28 percent of total foreign aid expenditures, abating slightly in 1981, and growing to 34 percent in 1983 with a drop to 28 percent in 1984 and an increase to 35 percent ($6.5 billion) in 1985.

The net effect of all foreign aid operations on the balance of payments includes, in addition to the direct dollar outflow due to expenditures, the revenues (inflow) resulting from collections of principal and interest on foreign aid credits extended in earlier years. These receipts have been growing rapidly and have for over a decade been substantially larger than the direct outflows due to foreign aid expenditures. As a result, the net effect of all foreign aid operations on the balance of payments has been increasingly positive and has brought about, in recent years, net annual inflows of several billion dollars.

Direct defense expenditures abroad, i.e., defense expenditures which adversely affect the balance of payments, have been steadily increasing. On the other hand, their impact has been at least in

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1/ Data in these tables are updated annually. The immediately preceding comparable report (No. 85-204 E) was published on November 5, 1985.

part counterbalanced and in some recent years more than compensated for by the receipts from foreign military sales contracts.

The net effect of all these transactions on the balance of payments was adverse through 1973 but favorable (in surplus) thereafter except for 1980 and 1985.

It must be stressed that the statistical data contained in this report show only the initial quantitatively identifiable effect of foreign aid and defense transactions on the balance of payments; they do not reflect the secondary effects of these transactions. The secondary effects contain both positive and negative components. Such elements include, on the positive side, the foreign use of direct dollar outflows (e.g., U.S. contributions to international organizations) for imports of goods and services from the United States (the "feedback" effect), the use of foreign currencies generated as a byproduct of foreign assistance programs (counterpart funds, P.L. 480 currencies, repayments of foreign currency loans) for U.S. purchases abroad without dollar outflows, and stimulation of U.S. commercial exports as a follow-on by foreign countries to commodities first acquired through foreign aid programs; and on the negative side, the possible loss of U.S. commercial exports because of foreign aid shipments (the "substitution" effect). The quantitative value and, consequently, the net effect of the secondary transactions on the balance of payments cannot be readily determined.

TABLE A. Economic Assistance
($ millions)

Calendar Years	Total Assistance	Assistance involving no direct dollar outflow		Assistance involving direct dollar outflow	
		Amount	Percent of Total	Amount	Percent of Total
1960-75 Total	$81,265	$66,391	81.7%	$14,873	18.3%
Annual Average	5,079	4,149		930	
1976	8,219	6,355	77.3	1,865	22.7
1977	7,564	5,857	77.4	1,707	22.6
1978	9,205	6,774	73.6	2,431	26.4
1979	9,813	7,086	72.2	2,727	27.8
1980	12,357	8,128	65.8	4,229	34.2
1981	12,210	8,254	67.6	3,956	32.4
1982	13,136	7,664	58.3	5,472	41.7
1983	13,518	7,874	58.2	5,644	41.8
1984	15,671	10,392	66.3	5,279	33.7
1985	15,723	9,267	58.9	6,456	41.1

Note: Data represent all U.S. Government nonmilitary grants and capital flows that increase Government assets abroad (loans, credits), and are taken from the table on "Selected U.S. Government Transactions," which appears in the quarterly surveys (March, June, September, December) of the U.S. balance of payments in the Survey of Current Business. Figures include salaries and other payments to the personnel administering the foreign aid. A more detailed breakdown of the components is available in source. Data were adjusted by subtracting the value of military sales contracts financed by U.S. Government credits (here included in Table B). Data may not add to total due to rounding. Data for 1985 are preliminary and subject to significant revisions; minor revisions may also occur in earlier data.

Sources: Survey of Current Business, June 1968, p. 39; June 1969, p. 34; June 1971, p. 40; June 1973, p. 40; June 1975, p. 42; June 1977, p. 46; June 1979, p. 50; June 1981, p. 56; June 1983, p.52; June 1985, p. 56; June 1986, p. 58.

TABLE B. Military Assistance
($ millions)

		Assistance involving no direct dollar outflow				Assistance involving direct dollar outflow	
Calendar Years	Total Assistance	Grants	Credit Sales	Subtotal	% of Total	Amount	% of Total
1960-75 Total	$44,277	$35,909	$6,760	$42,669	96.4%	$1,608	3.6%
Annual Average	2,767	2,244	423	2,667		100	
1976	2,140	373	1,737	2,110	98.6	30	1.4
1977	1,857	203	1,624	1,827	98.4	30	1.6
1978	1,828	236	1,563	1,799	98.4	29	1.6
1979	1,883	465	1,388	1,853	98.4	30	1.2
1980	2,762	756	1,974	2,730	98.8	32	1.2
1981	2,452	679	1,744	2,423	98.8	29	1.2
1982	3,405	585	2,788	3,373	99.1	32	0.9
1983	3,005	194	2,785	2,979	99.1	26	0.9
1984	3,103	190	2,888	3,078	99.2	25	0.8
1985	3,032	64	2,945	3,009	99.2	23	0.8

Note: Data represent the value of goods and services transferred to foreign countries under the U.S. military grant programs, of military sales contracts financed by U.S. Government credits, of military assistance program (MAP) offshore procurement, and of MAP services, the latter two items constituting the assistance involving direct dollar outflow. Data may not add to total due to rounding. Data for 1985 are preliminary and subject to significant revisions; minor revisions may also occur in earlier data.

Sources: Military grants: Survey of Current Business, June 1986, p. 42-43; military credit sales: as in Table A; MAP expenditures: Survey of Current Business, February 1972, p. 23; April 1975, p. 57; May 1978, p. 25; May 1983, p. 21; U.S. Bureau of Economic Analysis (unpublished data).

TABLE C. Economic and Military Assistance
($ millions)

		Assistance involving no direct dollar outflow		Assistance involving direct dollar outflow	
Calendar Years	Total Assistance	Amount	Percent of Total	Amount	Percent of Total
1960-75 Total	$125,542	$109,060	86.9%	$16,481	13.1%
Annual Average	7,846	6,816		1,030	
1976	10,359	8,465	81.7	1,895	18.3
1977	9,421	7,684	81.6	1,737	18.4
1978	11,033	8,573	77.7	2,460	22.3
1979	11,696	8,939	76.4	2,757	23.6
1980	15,119	10,858	71.8	4,261	28.2
1981	14,662	10,677	72.8	3,985	27.2
1982	16,541	11,037	66.7	5,504	33.3
1983	16,523	10,853	65.7	5,670	34.3
1984	18,774	13,470	71.7	5,304	28.3
1985	18,755	12,276	65.5	6,479	34.5

Note: Sum of data in Tables A and B. Data for 1985 are preliminary and subject to significant revisions; minor revisions may also occur in earlier data.

Sources: Tables A and B.

TABLE D. Net Effect of All Foreign Assistance Transactions
($ millions)

Calendar Years	Foreign Assistance Credit Servicing Receipts			Net Direct Dollar Outflow	Net Effect on the Balance of Payments
	Interest	Principal a/	Total		
1960-1975 Total	$11,393	$26,361	$37,754	$16,481	+$21,272
Annual Average	712	1,648	2,360	1,030	+1,330
1976	1,332	2,562	3,894	1,895	+1,999
1977	1,625	2,685	4,310	1,737	+2,573
1978	1,843	2,908	4,751	2,460	+2,291
1979	2,295	3,754	6,049	2,757	+3,292
1980	2,562	4,080	6,642	4,261	+2,381
1981	3,680	3,962	7,642	3,985	+3,657
1982	4,118	3,817	7,935	5,504	+2,431
1983	4,832	4,608	9,440	5,670	+3,770
1984	5,229	4,070	9,299	5,304	+3,995
1985	5,491	4,215	9,706	6,479	+3,227

a/ Before 1973, includes also small amounts of repayments of principal on other U.S. long-term foreign assets (including investment in Panama Canal).

Note: Net direct affect of foreign aid operations (economic and military) is presented as the difference between net aid outflows ("Direct dollar outflow" in Table C) and inflow of collections of interest and principal on active foreign aid credits, including military credit sales contracts. Data may not add to total due to rounding. Data for 1985 are preliminary and subject to significant revisions; minor revisions may also occur in earlier data.

Sources: Table C; and Survey of Current Business, June 1986. p. 42-43.

TABLE E. Direct Defense Expenditures
($ millions)

	Department of Defense					
Calendar Years	Total	Excluding Military Assistance	Atomic Energy Comm. a/	Coast Guard	Total	Excluding Military Assistance
1960-75 Total	$62,981	$61,373	$1,321	$128	$64,430	$62,822
Annual Average	3,936	3,836	165	8	4,027	3,926
1976	4,885	4,855	--	10	4,895	4,865
1977	5,814	5,784	--	9	5,823	5,793
1978	7,342	7,313	--	10	7,352	7,323
1979	8,283	8,253	--	11	8,294	8,264
1980	10,499	10,467	--	12	10,511	10,479
1981	11,212	11,183	--	12	11,224	11,195
1982	12,248	12,216	--	12	12,260	12,228
1983	12,579	12,553	--	11	12,590	12,564
1984	11,916	11,891	--	14	11,930	11,905
1985	11,911	11,888	--	7	11,918	11,895

a/ No expenditures after 1967. Annual average is for the 1960-1967 period.

Note: Data include, among other items, local expenditures by military personnel and their dependents; they also include costs of merchandise imported directly by the Department of Defense, as well as "defense" imports of the U.S. Coast Guard and the former U.S. Atomic Energy Commission, to the extent that such imports are identifiable. For a detailed breakdown of categories included, see sources. Data may not add to total due to rounding. Data for 1985 are preliminary and subject to significant revisions; minor revisions may also occur in earlier data.

Sources: Survey of Current Business, February 1972, p. 23; April 1975, p. 57; May 1978, p. 25; May 1983, p. 21; U.S. Bureau of Economic Analysis (unpublished data).

TABLE F. Net Effect of Foreign Assistance and Defense Transactions on the Balance of Payments
($ millions)

	Direct Dollar Outflow						
	Assistance						
Calendar Years	Economic	Military	Defense, Excluding Military Assistance	Total (- item)	Receipts from Credit Servicing (+ item)	Net Cash Receipts from Military Sales, Excluding Credit Sales (+ item)	Net BOP Impact
1960-75 Total	$14,873	$1,608	$62,822	$79,303	$37,754	$19,513	-$22,036
Annual Average	930	100	3,926	4,956	2,360	1,220	-1,377
1976	1,865	30	4,865	6,760	3,894	7,833	+4,967
1977	1,707	30	5,793	7,530	4,310	6,852	+3,632
1978	2,431	29	7,323	9,783	4,751	7,925	+2,893
1979	2,727	30	8,264	11,021	6,049	7,001	+2,029
1980	4,229	32	10,479	14,740	6,642	7,789	-309
1981	3,956	29	11,195	15,180	7,642	8,322	+784
1982	5,472	32	12,228	17,732	7,935	11,351	+1,554
1983	5,644	26	12,564	18,234	9,440	9,407	+613
1984	5,279	25	11,905	17,209	9,299	7,934	+24
1985	6,456	23	11,895	18,374	9,706	7,377	-1,291

Note: "Net cash receipts from military sales" exclude receipts of interest and principal on military credit sales (included in "receipts from credit servicing"). Data may not add to total due to rounding. Data for 1985 are preliminary and subject to significant revisions; minor revisions may also occur in earlier data.

Sources: Tables A, B, D, and E. Cash receipts from military sales: as in Table A.

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agf/mls

GAO

**United States
General Accounting Office
Washington, D.C. 20548**

**National Security and International
Affairs Division**

B-221409

January 30, 1986

The Honorable Michael D. Barnes
Chairman, Subcommittee on Western
Hemisphere Affairs
Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

In response to your request, we reviewed the extent and the legality of the U.S. government's continuing military supply relationship with Guatemala through commercial sales or the security assistance program. We are providing detailed listings of export license applications for commercial sales processed by the Departments of State and Commerce as well as an analysis of the use of the security assistance program during fiscal years 1979 through 1985.

The security assistance termination provisions under section 502B of the Foreign Assistance Act of 1961, as amended, are not applicable to Guatemala since the State Department has never identified Guatemala as having demonstrated a "consistent pattern of gross violations of internationally recognized human rights." Thus, sanctions contained in section 502B have never been applied, and there was no legal requirement for the U.S. government to cut off U.S. arms sales to Guatemala. Nonetheless, direct U.S. military assistance was discontinued between fiscal years 1978 and 1984, and commercial sales dropped significantly in the late 1970's and early 1980's because of cited human rights violations.

Background

The state of human rights in Guatemala has been a key factor in the arms transfer policy of the Carter and Reagan administrations. According to various U.S. government documents, from 1978 to 1982, under the Lucas Garcia presidency, combat deaths and human rights abuses increased. Government forces used violence to maintain order, and the insurgents used it to provoke government and right wing reactions. Rural villagers were often caught in the middle—victims of both government forces' and insurgents' violence to keep them from helping the opposition. By the end of the Lucas Garcia presidency, foreign credit and investment had dropped, the tourist industry had declined, and the Treasury had been drained.

Reprinted from U.S. General Accounting Office. Military sales: the United States continuing munition supply relationship with Guatemala; report to the Chairman, Subcommittee on Western Hemisphere Affairs,/Committee on Foreign Relations, House of Representatives. Jan. 1986. Washington, G.A.O., 1986. p. 1-10.

After a March 1982 coup led by a group of junior officers, retired General Rios Montt was installed as head of a three-man council. In June 1982, Rios Montt dissolved the junta and declared himself president. An August 1982 State Department statement said that beginning with the March 1982 coup, political violence had been reduced. According to the U.S. embassy in Guatemala, this observation was confirmed through discussion with Guatemalans, who said the situation had improved substantially after Rios Montt took office. The Guatemalan government initiated a program to provide food, seed, shelter, and medical supplies to villagers in rural areas who had been affected by the violence, and established local civil defense forces (the so-called "beans and bullets" program). At the same time, the army increased its counterinsurgency efforts against the guerrillas.

President Rios Montt was replaced by his Minister of Defense, General Mejia Victores in August 1983. According to the State Department, deaths and disappearances increased right after this coup but decreased again in late 1983. The UN Human Rights Commission Special Rapporteur reported in November 1983 that although basic human rights had been violated, the government had taken steps to curb abuses and there was "marked improvement" in 1983.

On the downside, human rights proponents say not enough has been done to investigate past crimes or to account for those who have disappeared. One case was the death of a contract employee from the Agency for International Development and three companions while in government custody. According to the Guatemalan government, they were shot while trying to escape. A State Department 1983 human rights report stated that "...the explanations offered by the Government have been contradictory and not fully consistent with other aspects of the known record." Furthermore, international human rights organizations such as Amnesty International take the position that military assistance should not be resumed because in their view there has been no real improvement in human rights conditions in Guatemala.

Against this background, a newly elected civilian government will be inaugurated in January 1986—an event which the Department of State believes will result in a significant reduction in human rights violations.

U.S. Government Policy Towards Guatemala

Since 1973, Congress has enacted numerous legislative provisions intended to ensure that U.S. foreign policy and provisions for security and economic assistance include consideration of the status of human rights in recipient countries. In 1974, Congress added section 502B to the Foreign Assistance Act of 1961, as amended, which was changed and strengthened in 1976 and 1978, to state:

> "Except under circumstances specified in this section, no security assistance may be provided to any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights."

Security assistance, which may not be provided unless the President certifies in writing that circumstances warrant such provision, is defined as:

- military assistance, economic support fund, military education and training, and peacekeeping operations;
- sales of defense articles or services, extensions of credit, and guarantees of loans under the Arms Export Control Act; and
- any license to export defense articles or defense services to or for the armed forces, police, intelligence, or other internal security forces of a foreign country.

In its first report (1977) on human rights practices in countries proposed as recipients of security assistance (a reporting requirement of section 502B), the State Department cited Guatemala for human rights violations. Guatemala (in March 1977) and four other Latin American countries (Argentina, Brazil, El Salvador, and Uruguay) rejected U.S. military assistance because it was linked to the human rights issue. The Guatemalan government accused the United States of interfering in its internal affairs.

Subsequently, in fiscal year 1978, appropriations legislation prohibited foreign military sales (FMS) credits for Guatemala and the Congress did not appropriate additional funds for Guatemala. These actions did not prevent government arms deliveries previously under contract or commercial export of munitions and dual-use (civilian and military) items under State and Commerce licenses.

According to several State Department officials and documents, neither the Carter nor Reagan administrations wished to publicly label any country as a consistent and gross violator of human rights because it would be too difficult to clear a country of such a label once given.

Reagan administration officials and documents stated that their arms transfer policy as it concerns human rights conditions is geared toward rewarding improvement rather than trying to coerce improvement by withholding military assistance, which was the Carter administration's approach. The Reagan administration position is that diplomacy and negotiation are more effective than public threat or censure. To reinforce the improvement in the human rights situation following the 1982 coup, on January 7, 1983, the administration approved an FMS cash sale of over $6 million in spare parts, primarily for helicopters and other aircraft. The Guatemalan government did not have sufficient funds for this purchase, but in August 1983, the new government asked to make a reduced purchase of some of the items for just over $2 million. In January 1984, the Reagan administration approved this request.

State Department officials maintain that any significant increases in military sales or assistance will be linked to additional improvements in human rights. In that regard, the State Department has told some exporters to resubmit denied and returned-without-action applications. The Department has indicated that the inauguration of a new civilian government, accompanied by an improvement in human rights conditions, may well allow it to start approving these items again.

Commercial Sales

The primary means Guatemala used during the period 1978 through 1982 to obtain military and dual-use equipment and technology from the United States was commercial sales made by U.S. companies to the Guatemalan government and private businesses. Some importers have in turn sold these items, including arms, to Guatemalan military personnel.

Export sales of this nature are licensed by the Department of Commerce, under the Export Administration Act of 1979, as amended (50 U.S.C. app. 2401, et. seq.), and by the State Department, under the Arms Export Control Act, as amended (22 U.S.C. 2751, et. seq.).

State Department Licenses

State controls export sales of arms, ammunition, and implements of war by requiring licenses for export of these items. State's Office of Munitions Control reviews each license application on a case-by-case basis to determine whether the proposed export is consistent with applicable statutes, regulations and procedures, and U.S. security and foreign policy.

In the case of Guatemala, all license applications are sent to the Bureaus of Human Rights and Humanitarian Affairs, Inter-American Affairs, and Politico-Military Affairs within State. In addition, those requiring review for technical or national security purposes are sent to the Department of Defense.

The Director of the Office of Munitions Control said his office will not issue a license if the Inter-American Affairs Bureau recommends a particular application be rejected. If the Human Rights Bureau disapproves, but the Inter-American Affairs Bureau approves a particular application, Munitions Control will ask the bureaus to reach an agreement before any action is taken.

Approvals of munitions items licensed by the State Department peaked in fiscal year 1979 at over $860,000 (guns and ammunition accounted for 62 percent); approvals dropped to their lowest level in 1982—about $32,000. The level has since risen, reaching $374,000 for the first 5 months of 1985. See appendices II, III, and IV for listings of licenses approved, disapproved, and returned without action, respectively, by the State Department.

These listings do not include all license applications State received for exports to Guatemala. A munitions control officer told us that the Department may have "lost" some information at the end of fiscal year 1981, when the computerized system was changed. Also, the Department said it was unable to locate 41 of 300 applications we requested which were listed in its computer information system.

Furthermore, State's information system, as programmed, could not identify certain potential exports to Guatemala if the license applications listed destinations in addition to Guatemala. According to a munitions control officer, when more than one destination is shown on an application, the computer identifies the potential recipient as "various destinations." In commenting on our draft report, the Department emphasized that use of "various destinations" is only permitted for technical data or temporary export applications within the same geographical area.

Department of Commerce Licenses

The Department of Commerce licenses all commodities for commercial export not controlled by the State Department except for certain nuclear items. The products they license have commercial as well as military applications (so called dual-use items). Export controls administered by Commerce are used to protect the national security of the United States, to further the foreign policy and protect the domestic economy from the excessive drain of scarce materials, and to reduce the inflationary impact of foreign demand.

All items for export controlled by Commerce are contained in the Commodity Control List, which is prepared by Commerce in consultation with the Departments of Defense and State and other departments and agencies as appropriate. It is a composite of items identified unilaterally by the U.S. government and items identified for export control by the Coordinating Committee (COCOM) for mutual security reasons. COCOM is an informal organization consisting of the NATO countries (excluding Iceland and Spain) plus Japan. This committee controls exports to Communist countries.

Some licenses are referred to the State Department for review. Items on Commerce's "crime control and detection equipment and instruments" list must be given a human rights review by State before they can be approved. Other items are reviewed by State under its regional stability classification program to determine if they will affect the balance of power in that region. This program applies to all countries except North Atlantic Treaty Organization members, Japan, Australia, and New Zealand. A Department of State official said State does not generally recommend disapproval on regional stability grounds unless the country gets involved in an external conflict that the State Department thinks they should avoid.

The Commerce Department approved 34 applications for exports to the Guatemalan military during the period January 1978 to February 1985 totaling $55 million. Another 37 applications, totaling $61 million were granted for nonmilitary government agencies during that period. Major items licensed for the military included trainer and cargo aircraft. However, these licenses expired before the aircraft ($40 million for two jet transports and eight T-37 trainer aircraft) were sold or exported to Guatemala. (See app. V and VI for Commerce licenses approved for dual-use equipment for military and other-than-military, respectively, and app. VII for a list of potentially lethal items licensed for various end users during fiscal years 1979 through 1985 as of February 28, 1985.)

Illegal Transfer of U.S. M-41 Tanks to Guatemala by a Belgian Company

During our review, we identified the "illegal" transfer (as described by a State Department telegram) of 10 U.S. M-41 tanks to Guatemala by the Belgian company ASCO in 1982. The 10 tanks were part of a U.S. government authorized shipment of 22 tanks from Belgium to the Dominican Republic. However, only 12 tanks were unloaded there; the remainder were shipped to Guatemala.

There is conflicting information regarding the source of the tanks, i.e., whether the 10 tanks were "U.S.-made" or Belgian-manufactured using U.S. technology. The tanks were reportedly in poor shape and had to be restored. They cost the Guatemalans $34 million (plus restoration)—a price far in excess of standard market value. This grey-market M-41 tank deal was probably arranged between employees of the export firm ASCO, the ship's captain, and certain high level Dominican and Guatemalan military officers.

According to the State Department, it has no record of a request by the Belgian government to transfer any M-41 tanks to Guatemala. The Department started an investigation and requested the Belgian and Dominican Republic governments to do the same.

Under the Arms Export Control Act, the executive branch is required to provide a report to the Congress on what transpired. A report was issued in 1981 when Belgium made an earlier unauthorized tank transfer to Uruguay. Evidence indicates that although the need to submit a similar report on the Guatemala transfer was discussed within State, the report was delayed until all investigations could be completed. Apparently, either the investigations were not completed, were not reported to the State Department, or the Department decided not to prepare the report to Congress. In any event, we found no evidence of any report ever being submitted to the Congress.

Security Assistance and FMS Cash Sales

No FMS credit or Military Assistance Program financing had been approved for Guatemala from fiscal year 1976 through 1985. The administration requested $10 million in FMS credits for fiscal years 1984, 1985, and 1986. The first two requests were rejected by the Congress. The third has been appropriated, but the appropriation restricts the types of assistance and makes it subject to the election of a civilian government and demonstrated progress in human rights conditions. International Military Education and Training funding was approved in 1977, but not again until 1985 ($300,000). Requests for similar amounts were also made for fiscal years 1983 ($250,000) and 1984 ($250,000);

$300,000 has also been appropriated for 1986. For the first time since 1975, economic support funds of $10 million were provided for Guatemala in fiscal year 1983. An additional $12.5 million was approved for 1985 and $25 million was approved for 1986.

FMS cash sales dropped off during fiscal years 1978 through 1983. In 1977, sales agreements totaled $5.7 million but fell to $3.2 million in 1978 and to $2.0 million in 1979. They dropped drastically from 1980 through 1982 when only small amounts of training were sold to the Guatemalans. Agreements climbed to $3.4 million in 1984. Appendixes VIII and IX provide information on U.S. assistance to Guatemala, and appendix X itemizes all FMS agreements for fiscal years 1977 through 1985 (as of February 28, 1985).

Conclusions and Recommendations

The Department of State has never labeled Guatemala as a gross human rights violator, thus the U.S. government has not been under any legal requirement to cut off U.S. arms transfers to that country. Nonetheless, direct U.S. military assistance (FMS credits, Military Assistance Program, and International Military Education and Training funding) was discontinued between fiscal years 1978 and 1984, and commercial sales dropped significantly in the late 1970's and early 1980's because of cited human rights violations. In the last 2 years, both sales and assistance have increased slowly. Further increases will continue to be affected by concerns about human rights conditions in Guatemala. The transfer of power to an elected civilian government in January 1986 could be viewed as a positive sign of the country's commitment to improving human rights, and could prompt additional military sales and assistance.

Two areas require attention: (1) Limitations in the Department's information and record-keeping systems resulted in the Department being unable to identify and locate all license applications for exports to Guatemala, and (2) the executive branch has not submitted the required report to the Congress on the unauthorized transfer of tanks by Belgium to Guatemala which occurred in 1982.

We therefore recommend the Secretary of State

- take steps to ensure that the Department's information retrieval capabilities are such that all intended destinations can be easily identified, and
- take the steps necessary to issue the report to the Congress as required under section 3 of the Arms Export Control Act.

Agency Comments

The Departments of State, Defense, and Commerce provided us with official comments on the draft of this report.

The Department of State commented that this report provides an accurate full account of State, Commerce, and Defense Department treatment of requests received from exporters seeking to sell equipment to Guatemala. Regarding difficulties in locating older license applications, the Department stated that its current computer retrieval system should preclude such problems in the future. In response to our specific recommendation concerning its information retrieval capabilities, the Department said that budgetary constraints have been the only reason why its computer has not been programmed to list separate destinations for temporary and technical data license applications. The Department told us that the need to program its computer information system to list separate destinations for such applications would be considered in allocating future funds.

Regarding the M-41 tank incident, State responded that its files indicate that 22 M-41 tanks were supposedly exported to the Dominican Republic in early 1982, and that about half of them may have been diverted to Guatemala without the knowledge of the Belgian government.

The Department stated that it regrets that a report under section 3(e) of the Arms Export Control Act was not filed at the time, and added that a report will be submitted to the Congress. State concluded that, after its inquiry into the matter in 1982, Belgian authorities took effective measures to prevent the recurrence of such incidents since no reports have been received since 1982 of the improper transfer of tanks from Belgium.

The Department of Commerce asked that various clarifications concerning its licensing process be made to the report and those have been incorporated. The Department of Defense generally concurred with the report's findings and recommendations. Comments received from all three agencies are included in their entirety as appendixes XI through XIII.

Objectives, Scope, and Methodology

We did most of our work at the Department of State—where we discussed U.S. policy towards Guatemala; reviewed documents on human rights, arms transfers, and related topics; and analyzed license applications received by the Office of Munitions Control from October 1978 through February 1985. We also reviewed license applications and interviewed officials at the Departments of Defense and Commerce.

We were limited in our review by certain constraints. The Department of State said it could not locate 41 of the 300 applications we requested. Commerce, on the other hand, said it could not locate 15 of the 217 we requested. As discussed earlier, State's computer system does not identify intended destinations on multiple destination applications and some applications may have been lost during a computer switchover. Despite the incompleteness of our data, we are confident that our overall conclusions relating to sales activities are accurate, based on comparisons between State and Defense data and discussions with numerous State and Defense officials.

We conducted our review from April 1984 through June 1985 in accordance with generally accepted government auditing standards. We encountered substantial delays in obtaining information from the Department of State.

We are sending copies of this report to interested parties and we will make copies available to others upon request.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

Reprinted from Report of the Arms Control and Foreign Policy Caucus on U.S. aid to El Salvador; appendix to hearings. In U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs. Foreign assistance legislation for fiscal years 1986-87 (part 6). Hearings and, markup on review of proposed economic and security assistance requests for Latin America and the Caribbean. Mar. 5 and 19, 1985. Washington, G.P.O., 1985. p. 183-184, 225-232. [The hearing also includes U.S. Dept. of State comments on this report]

SUMMARY

The United States has provided $1.7 billion to the Government, Central Bank and Armed Forces of El Salvador since the outbreak of civil war in 1980. Over these five years, U.S. funding for El Salvador has grown dramatically -- increasing nearly tenfold between fiscal years 1980 and 1984. It now stands at over half a billion dollars a year, and the Administration is expected to request similar or larger amounts in the future.

The purpose of this report is to provide Congress with an analysis of the lessons of past funding for El Salvador, so that legislators can make informed decisions on upcoming requests. We have obtained information on the projects, activities and equipment provided by U.S. aid that is far more detailed than that which is generally available to the Congress, and have analyzed the data to ascertain the content, strategy and impact of the aid. We believe that many Members of Congress, if not most of us, will be surprised to learn of the actual use of that aid, and of the strategy it reflects.

The report is divided into five sections:

* The first section explains the need for the report, by documenting the lack of responsiveness and candor of the Executive Branch in providing Congress with accurate information on our Salvadoran aid. This section gives specific examples of instances where insufficient, misleading, and even false information has been provided to Congress.

* The second section challenges the Administra-

tion claim that "economic" aid is three times as great as "military" aid. By developing more precise and more realistic categories of aid, based on its use rather than what U.S. agency administers it, we find instead that direct war-related aid is double the amount of our aid for reform and development; and that the largest single category of aid is indirect war-related economic maintenance, which merely neutralizes the effects of the civil war.

* The third section analyzes the "direct war-related aid," and describes the overall U.S. strategy reflected by that aid -- a strategy which seeks a military victory over the rebels, and a strategy which has escalated from a relatively straightforward attempt to expand and upgrade the Salvadoran Army into a sophisticated and technological counter-insurgency strategy, reminiscent of Vietnam, of aerial bombardment and air mobile assault. This strategy is found likely to require increased U.S. involvement in terms of both funds and personnel.

* The fourth section evaluates the three categories of U.S. aid which are not "directly war-related:" Indirect War-Related Aid, Aid for Reform and Development, and Commercial Food Aid. This section concludes that efforts for true reform have been stymied by the right wing, by the civil war itself, and by relatively low U.S. funding priorities. It also finds that the strategy of maintenance, while successful in the short run in propping up a government, is likely to require increased U.S. resources in the long run. And finally, it finds that this strategy of maintenance actually serves as a disincentive to negotiations for a political settlement.

* The last section suggests ways that Congress, through changing the composition of the U.S. aid package, can reduce the level of violence in El Salvador and shift U.S. policy from a policy which seeks an unattainable military solution to one which provides maximum support for a cease-fire, followed by intense negotiations for a settlement. Recommendations include proposals to stop funding the air war; to redirect the Cash Transfer funds to Reform and Development programs; to enforce the original 55-man cap on U.S. military personnel in El Salvador; and to require that U.S. military action can be undertaken only with the prior consent of Congress.

SECTION V:

RECOMMENDATIONS:

HOW U.S. AID COULD ENCOURAGE A NEGOTIATED SETTLEMENT

El Salvador has experienced a national trauma of major proportions over the past five years. Some 50,000 Salvadorans have been killed (roughly 40,000 of whom were non-combatants), the per-capita equivalent of 240,000 people being killed in the United States. The economy has virtually collapsed under the strain of the civil war, with Gross Domestic Product dropping between 25 and 35 percent, and unemployment standing between 30 and 40 percent. Only U.S. aid equivalent annually to 55 percent of the Salvadoran Government's budget and 15 percent of the Gross Domestic Product has kept the Government, the Armed Forces and the economy functioning.

Tragically, if U.S. aid is composed in the future as it is at present, the next five years will be as violent and unproductive for El Salvador as the past five years. Under current U.S. aid strategy, there is no light at the end of this tunnel.

U.S. aid strategy has favored a military solution to the civil war, focusing twice as much funding on direct war-related aid to the Armed Forces (30 percent) as on aid for reform and development which aims to change the conditions that led to the civil war (15 percent.) The largest share of aid (44 percent) simply neutralizes the ever-increasing effects of the civil war, permitting the Government and Armed Forces to continue their search for a military solution.

Yet a military solution remains elusive. Rebel strength and activity have kept pace throughout the civil war with increases in the Armed Forces' size and operations. Although it is difficult to assess the long-term impact of the current air war on the military balance, rebel attacks on both military economic targets are continuing now much as they did a year or two ago. The overall level of military violence, especially that which affects civilians, is increasing with the technological escalation of the air war.

We propose a major shift in U.S. policy in El Salvador, and a major shift in the composition of U.S. aid to implement it. Our policy must be maximum support for a cease-fire, followed by intense and serious negotiations for a swift settlement. U.S. policy must unequivocally reject a military solution in favor of a negotiated settlement, and then redirect U.S. aid to support this policy.

Our recommendations for implementation of this new policy are, in summary:

- Reduce the level of violence by stopping funding for the air war;
- Encourage reform and negotiations by redirecting the Cash Transfer to Reform and Development projects;
- Limit U.S. combat support by returning to the numbers and roles of U.S. personnel assisting the Salvadoran military effort in 1981; and
- Require that direct U.S. military action can be undertaken only with the prior consent of the Congress.

These recommendations are discussed in detail later in this Section.

We recognize that there are risks associated with actions such as these, which both symbolically and in practice support a negotiated settlement rather than a military solution. The right wing in El Salvador continues to use its power -- both legal and illegal -- to block any policy short of total commitment to a military solution. President Duarte's power is already tenuous. His efforts to fulfill his campaign pledge to investigate and prosecute participants in death squads and military massacres have been stymied. He was unable to make the top commanders in the Armed Forces accept his call for a Christmas truce. Supporters of present policy might argue that our proposals would tip the balance of power away from Duarte by reinvigorating right wing resistance, perhaps in the form of a resurgency of the death squads of a military coup.

We think that the possibility of such a reaction is small. Far more likely is that the right wing will be forced to accommodate any clear Congressional consensus -- as it has in the past -- to avoid jeopardizing the continuation of U.S. funding for El Salvador. Powerful pragmatists in the Salvadoran military have come to the conclusion that a resurgence of death squads or a military coup would sour Congress on funding for El Salvador.

In fact, a Congressional consensus against such activities has already had the desired effect. The reduction in death squad activity since 1981, although due to a number of causes, is due at least in part to the perception in El Salvador that the death squads were jeopardizing increased funding. The "Kasten-Dodd" Amendment to the FY85 Foreign Aid Appropriation, which cuts off all U.S. aid in the event of a coup, has made it clear in El Salvador that direct resistance by the military to Duarte's orders is unacceptable to the U.S. Congress. This amendment should be included in succeeding foreign aid bills as a matter of course.

In any event, the United States must not be held hostage by terrorist or anti-democratic groups: we must vigorously pursue a policy that is in our best interests and in the best interests of the Salvadoran people: cease-fire and negotiations. The alternative is to consign El Salvador to bleed slowly to death over the coming years, as the misguided search for a military solution continues and even escalates with the expansion of the air war.

That is not to imply that a negotiated settlement will come easily, without major concessions on all sides. U.S. policymakers can not determine what concessions must be made to achieve an agreement. What constitutes a just settlement in the Salvadoran civil war can be determined only by Salvadorans. U.S. policy and aid strategy, though, can encourage Salvadorans on both sides of the bargaining table to view a continuation of the civil war as an unacceptable alternative to a negotiated settlement, and can support them in their efforts to achieve an agreement.

Our recommenations, then, are offered not as a panacea for El Salvador's problems, but rather as realistic proposals to encourage the Salvadorans to solve them themselves. By recognizing the impossibility of a military solution, we hope to enhance the prospects for a negotiated settlement.

1. Stop Funding the Air War

The escalation of the air war in 1984, with the increase in air strikes, the tripling of the helicopter fleet and the introduction of the AC-47 gunship, has raised additional barriers to a cease-fire and negotiations. Aerial bombardment and air-mobile assault are tactics that increase the level of violence, just when a decrease is needed to encourage a cease-fire. The rebels and the Armed Forces have experimented with informal cease-fires for brief periods, and the notion of "humanizing" the war by simultaneously reducing rebel sabotage and Government bombardment has been broached in the dialogue between Duarte and the rebels.

The air war undermines the chances for a cease-fire and settlement because it notifies the rebels that the Armed Forces remain committed to a military solution, and are unwilling to adopt tactics that differentiate between armed rebels and civilians living in rebel zones.

Congress should, accordingly, prohibit the use of U.S. aid for additional A-37 attack bombers, UH-1H and 500-D helicopters, and AC-47 gunships. Armaments, munitions, spare parts and services for those craft already in the Salvadoran inventory should also be proscribed from U.S. funding. Congress would in effect be declaring the air war in suspension, to reduce the level of violence and encourage a cease-fire and settlement.

Critics of this approach may argue that suspension of the air war would provide the rebels a military advantage -- encouraging them to pursue a military solution rather than negotiate seriously. Our response is that while there may be a short-term gain for the rebels -- inasmuch as the Armed Forces' ability to move quickly into rebel zones will be hindered, and the rebels' ability to regroup will improve -- this gain would be insignificant in the context of a cease-fire. The purpose of the cessation in the air war would be to set the stage for a cease-fire and negotiations. Such an initiative would give the rebels a powerful incentive to reach a cease-fire, since exploiting the suspension of the air war over the longer term would only lead to its resumption.

2. Redirect the Cash Transfer to Reform and Development

Efforts to reform and develop El Salvador's political and economic system have been stymied by right-wing opposition and the low priority accorded to those efforts by U.S. aid strategy. Funding for reform and development stands at 15 percent of total funding, while funding for indirect war-related economic maintenance is three times as large. Congress should reverse these proportion by transferring all funding requested for the Cash Transfer to AID's reform and development projects.

Such a shift in resources would have a profound impact, by improving the conditions -- particularly in the judicial and agricultural systems -- that led to and sustain the civil war. Equally important would be the powerful message sent to all parts of Salvadoran society that the United States was putting its weight behind reform and negotiations, rather than a military solution. Continuation of the Cash Transfer, in contrast, will merely delay the inevitable negotiations between the Government and the rebels, by negating some of the effects of the civil war and reducing the incentive of the Government to negotiate.

Critics of this approach may argue that redirecting the Cash Transfer's resources to reform and development efforts would damage Duarte's ability to govern by cutting off his lifeline of critical imports and budgetary assistance. They may also argue that reform and development projects cannot absorb effectively even the funds available to them now, and so would be overwhelmed with a tripling of funding.

It is true that both the international sector of the Salvadoran economy and the Salvadoran Government have grown dependent on the

Cash Transfer, and would have to be cut back to account for its redirection. Transferring the funds to reform and development would not necessarily require a dramatic reduction in total imports, as the agricultural and small business sectors could be provided with foreign exchange for project-specific imports with a portion of the redirected funds. Similarly, a dramatic reduction in Government spending could be avoided by using a portion of the redirected funds to support the Government's own reform and development expenditures.

It is also true that a major increase in funding for reform and development poses a management problem for AID staff in El Salvador who are unable to monitor and evaluate many of the projects already underway. This problem could be addressed in two ways. First, AID could transfer some of the funds into a holding fund, for use when promising projects had been started and required additional funding. Second, AID could use some of the increase to hire additional personnel for monitoring and evaluation.

The importance of a redirection of the Cash Transfer, both by supporting reform and development projects as well as by symbolically endorsing reform and negotiations, should not be underestimated. The benefits of such a change in policy, we believe, are well worth the risks it entails.

3. Enforce the 55-man cap:
Return U.S. military personnel to their numbers and roles in 1981.

By changing the restrictions on their activities, DOD has been able to place U.S. Armed Forces in combat zones, and in roles that directly support Salvadoran combat operations. This drift from training into combat support has been accompanied by a near-doubling of U.S. military personnel in El Salvador, permitted by DOD's changes in the definition of U.S. personnel covered by the 55-man cap. These trends should be reversed:

- OPAT advisers operating at the brigade headquarters of El Salvador's military departments should be returned to training tasks well-removed from rebel zones;

- U.S. military personnel, as a rule, should be restricted to areas with little risk of combat;

- Reconnaissance flights by U.S. Army pilots operating from Honduras and U.S. Air Force pilots operating from Panama in support of Salvadoran Army units should be terminated; and

- The 55-man cap should be interpreted as it was in 1981, with only U.S. Marine guards at the Embassy and Defense Attaches excepted.

4. Require that direct U.S. military action can be taken only with the prior consent of the Congress

Enactment of the "Foley-McHugh" Amendment, which requires Congressional approval prior to the introduction of U.S. Armed Forces into combat in or over El Salvador and Nicaragua, is the best way to reaffirm Congress' role in decisions relating to direct military action in El Salvador. The amendment passed the House twice in 1984, but was weakened in conference in both cases to advisory language.

* * *

This report was prepared jointly by its sponsors and their staff, and by the staff of the Arms Control and Foreign Policy Caucus. It does not seek to reflect the views of the members of the Caucus.

Reprinted from Department of State bulletin, v. 63, Nov. 16, 1970: 627-631

TEXT OF RESOLUTION [2]

The General Assembly,

Recalling its resolutions 1815 (XVII) of 18 December 1962, 1966 (XVIII) of 16 December 1963, 2103 (XX) of 20 December 1965, 2181 (XXI) of 12 December 1966, 2327 (XXII) of 18 December 1967, 2463 (XXIII) of 20 December 1968 and 2533 (XXIV) of 8 December 1969, in which it affirmed the importance of the progressive development and codification of the principles of international law concerning friendly relations and co-operation among States,

Having considered the report of the Special Committee on Principles of International Law concerning Friendly Relations and Co-operation among States,[3] which met in Geneva from 31 March 1970 to 1 May 1970,

Emphasizing the paramount importance of the Charter of the United Nations for the maintenance of international peace and security and for the development of friendly relations and co-operation among States,

Deeply convinced that the adoption of the Declaration on Principles of International Law concerning Friendly Relations and Co-operation among States in accordance with the Charter of the United Nations during the celebration of the twenty-fifth anniversary of the United Nations would contribute to the strengthening of world peace and constitute a landmark in the development of international law and of relations among States, in promoting the rule of law among nations and particularly the universal application of the principles embodied in the Charter,

Considering the desirability of the wide dissemination of the text of the Declaration,

1. *Approves* the Declaration on Principles of International Law concerning Friendly Relations and Co-operation among States in accordance with the Charter of the United Nations, the text of which is annexed to the present resolution;

2. *Expresses its appreciation* to the Special Committee for its work resulting in the elaboration of the Declaration;

3. *Recommends* that all efforts be made so that the Declaration becomes generally known.

ANNEX

DECLARATION ON PRINCIPLES OF INTERNATIONAL LAW CONCERNING FRIENDLY RELATIONS AND CO-OPERATION AMONG STATES IN ACCORDANCE WITH THE CHARTER OF THE UNITED NATIONS

Preamble

The General Assembly,

Reaffirming in the terms of the Charter that the maintenance of international peace and security and the development of friendly relations and co-operation between nations are among the fundamental purposes of the United Nations,

Recalling that the peoples of the United Nations are determined to practise tolerance and live together in peace with one another as good neighbours,

Bearing in mind the importance of maintaining and strengthening international peace founded upon freedom, equality, justice and respect for fundamental human rights and of developing friendly relations among nations irrespective of their political, economic and social systems or the levels of their development,

Bearing in mind also the paramount importance of the Charter of the United Nations in the promotion of the rule of law among nations,

Considering that the faithful observance of the principles of international law concerning friendly relations and co-operation among States, and fulfilment in good faith of the obligations assumed by States, in accordance with the Charter, is of the greatest importance for the maintenance of international peace and security, and for the implementation of the other purposes of the United Nations,

Noting that the great political, economic and social changes and scientific progress which have taken place in the world since the adoption of the Charter of the United Nations give increased importance to these principles and to the need for their more effective application in the conduct of States wherever carried on,

Recalling the established principle that outer space, including the Moon and other celestial bodies, is not subject to national appropriation by claim of sovereignty by means of use or occupation or by any other means, and mindful of the fact that consideration is being given in the United Nations to the question of establishing other appropriate provisions similarly inspired,

Convinced that the strict observance by States of the obligation not to intervene in the affairs of any other State is an essential condition to ensure that nations live together in peace with one another since the practice of any form of intervention not only violates the spirit and letter of the Charter of the United Nations but also leads to the creation of situations which threaten international peace and security,

Recalling the duty of States to refrain in their international relations from military, political, economic or any other form of coercion aimed against the political independence or territorial integrity of any State,

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[2] U.N. doc. A/RES/2625 (XXV) (A/C.6/L.793 and Corr. 1); adopted by the Assembly on Oct. 24.

[3] U.N. doc. A/8018.

Considering it essential that all States shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the purposes of the United Nations,

Considering it equally essential that all States shall settle their international disputes by peaceful means in accordance with the Charter,

Reaffirming, in accordance with the Charter, the basic importance of sovereign equality and stressing that the purposes of the United Nations can be implemented only if States enjoy sovereign equality and comply fully with the requirements of this principle in their international relations,

Convinced that the subjection of peoples to alien subjugation, domination and exploitation constitutes a major obstacle to the promotion of international peace and security,

Convinced that the principle of equal rights and self-determination of peoples constitutes a significant contribution to contemporary international law, and that its effective application is of paramount importance for the promotion of friendly relations among States, based on respect for the principle of sovereign equality,

Convinced in consequence that any attempt aimed at the partial or total disruption of the national unity and territorial integrity of a State or country or at its political independence is incompatible with the purposes and principles of the Charter,

Considering the provisions of the Charter as a whole and taking into account the role of relevant resolutions adopted by the competent organs of the United Nations relating to the content of the principles,

Considering that the progressive development and codification of the following principles:

(a) The principle that States shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the purposes of the United Nations,

(b) The principle that States shall settle their international disputes by peaceful means in such a manner that international peace and security and justice are not endangered,

(c) The duty not to intervene in matters within the domestic jurisdiction of any State, in accordance with the Charter,

(d) The duty of States to co-operate with one another in accordance with the Charter,

(e) The principle of equal rights and self-determination of peoples,

(f) The principle of sovereign equality of States,

(g) The principle that States shall fulfil in good faith the obligations assumed by them in accordance with the Charter,

so as to secure their more effective application within the international community would promote the realization of the purposes of the United Nations,

Having considered the principles of international law relating to friendly relations and co-operation among States,

1. *Solemnly proclaims* the following principles:

The principle that States shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the purposes of the United Nations

Every State has the duty to refrain in its international relations from the threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the purposes of the United Nations. Such a threat or use of force constitutes a violation of international law and the Charter of the United Nations and shall never be employed as a means of settling international issues.

A war of aggression constitutes a crime against the peace, for which there is responsibility under international law.

In accordance with the purposes and principles of the United Nations, States have the duty to refrain from propaganda for wars of aggression.

Every State has the duty to refrain from the threat or use of force to violate the existing international boundaries of another State or as a means of solving international disputes, including territorial disputes and problems concerning frontiers of States.

Every State likewise has the duty to refrain from the threat or use of force to violate international lines of demarcation, such as armistice lines, established by or pursuant to an international agreement to which it is a party or which it is otherwise bound to respect. Nothing in the foregoing shall be construed as prejudicing the positions of the parties concerned with regard to the status and effects of such lines under their special régimes or as affecting their temporary character.

States have a duty to refrain from acts of reprisal involving the use of force.

Every State has the duty to refrain from any forcible action which deprives peoples referred to in the elaboration of the principle of equal rights and self-determination of their right to self-determination and freedom and independence.

Every State has the duty to refrain from organizing or encouraging the organization of irregular forces or armed bands, including mercenaries, for incursion into the territory of another State.

Every State has the duty to refrain from organizing, instigating, assisting or participating in acts of civil strife or terrorist acts in another State or acquiescing in organized activities within its territory directed towards the commission of such acts, when the acts referred to in the present paragraph involve a threat or use of force.

The territory of a State shall not be the object of military occupation resulting from the use of force in contravention of the provisions of the Charter. The territory of a State shall not be the object of acquisition by another State resulting from the threat or use of force. No territorial acquisition resulting from the threat or use of force shall be recognized as legal. Nothing in the foregoing shall be construed as affecting:

(a) Provisions of the Charter or any international agreement prior to the Charter régime and valid under international law; or

(b) The powers of the Security Council under the Charter.

All States shall pursue in good faith negotiations for the early conclusion of a universal treaty on general and complete disarmament under effective international control and strive to adopt appropriate measures to reduce international tensions and strengthen confidence among States.

All States shall comply in good faith with their obligations under the generally recognized principles and rules of international law with respect to the maintenance of international peace and security, and shall endeavour to make the United Nations security system based upon the Charter more effective.

Nothing in the foregoing paragraphs shall be construed as enlarging or diminishing in any way the scope of the provisions of the Charter concerning cases in which the use of force is lawful.

The principle that States shall settle their international disputes by peaceful means in such a manner that international peace and security and justice are not endangered

Every State shall settle its international disputes with other States by peaceful means, in such a manner that international peace and security, and justice, are not endangered.

States shall accordingly seek early and just settlement of their international disputes by negotiation, inquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies or arrangements or other peaceful means of their choice. In seeking such a settlement, the parties shall agree upon such peaceful means as may be appropriate to the circumstances and nature of the dispute.

The parties to a dispute have the duty, in the event of failure to reach a solution by any one of the above peaceful means, to continue to seek a settlement of the dispute by other peaceful means agreed upon by them.

States parties to an international dispute, as well as other States, shall refrain from any action which may aggravate the situation so as to endanger the maintenance of international peace and security, and shall act in accordance with the purposes and principles of the United Nations.

International disputes shall be settled on the basis of the sovereign equality of States and in accordance with the principle of free choice of means. Recourse to, or acceptance of, a settlement procedure freely agreed to by States with regard to existing or future disputes to which they are parties shall not be regarded as incompatible with sovereign equality.

Nothing in the foregoing paragraphs prejudices or derogates from the applicable provisions of the Charter, in particular those relating to the pacific settlement of international disputes.

The principle concerning the duty not to intervene in matters within the domestic jurisdiction of any State, in accordance with the Charter

No State or group of States has the right to intervene, directly or indirectly, for any reason whatever, in the internal or external affairs of any other State. Consequently, armed intervention and all other forms of interference or attempted threats against the personality of the State or against its political, economic and cultural elements, are in violation of international law.

No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights and to secure from it advantages of any kind. Also, no State shall organize, assist, foment, finance, incite or tolerate subversive, terrorist or armed activities directed towards the violent overthrow of the régime of another State, or interfere in civil strife in another State.

The use of force to deprive peoples of their national identity constitutes a violation of their inalienable rights and of the principle of non-intervention.

Every State has an inalienable right to choose its political, economic, social and cultural systems, without interference in any form by another State.

Nothing in the foregoing paragraphs shall be construed as affecting the relevant provisions of the Charter relating to the maintenance of international peace and security.

The duty of States to co-operate with one another in accordance with the Charter

States have the duty to co-operate with one another, irrespective of the differences in their political, economic and social systems, in the various spheres of international relations, in order to maintain international peace and security and to promote international economic stability and progress, the general welfare of nations and international co-operation free from discrimination based on such differences.

To this end:

(a) States shall co-operate with other States in the maintenance of international peace and security;

(b) States shall co-operate in the promotion of universal respect for and observance of human rights and fundamental freedoms for all, and in the elimination of all forms of racial discrimination and all forms of religious intolerance;

(c) States shall conduct their international relations in the economic, social, cultural, technical and trade fields in accordance with the principles of sovereign equality and non-intervention;

(d) States Members of the United Nations have the duty to take joint and separate action in co-operation with the United Nations in accordance with the relevant provisions of the Charter.

States should co-operate in the economic, social and cultural fields as well as in the field of science and technology and for the promotion of international cultural and educational progress. States should co-operate in the promotion of economic growth throughout the world, especially that of the developing countries.

The principle of equal rights and self-determination of peoples

By virtue of the principle of equal rights and self-determination of peoples enshrined in the Charter, all peoples have the right freely to determine, without external interference, their political status and to pursue their economic, social and cultural development, and every State has the duty to respect this right in accordance with the provisions of the Charter.

Every State has the duty to promote, through joint and separate action, the realization of the principle of equal rights and self-determination of peoples, in accordance with the provisions of the Charter, and to render assistance to the United Nations in carrying out the responsibilities entrusted to it by the Charter regarding the implementation of the principle in order:

(a) To promote friendly relations and co-operation among States; and

(b) To bring a speedy end to colonialism, having due regard to the freely expressed will of the peoples concerned;

and bearing in mind that subjection of peoples to alien subjugation, domination and exploitation constitutes a violation of the principle, as well as denial of fundamental human rights, and is contrary to the Charter of the United Nations.

Every State has the duty to promote through joint and separate action universal respect for and observance of human rights and fundamental freedoms in accordance with the Charter.

The establishment of a sovereign and independent State, the free association or integration with an independent State or the emergence into any other political status freely determined by a people constitute modes of implementing the right of self-determination by that people.

Every State has the duty to refrain from any forcible action which deprives peoples referred to above in the elaboration of the present principle of their right to self-determination and freedom and independence. In their actions against and resistance to such forcible action in pursuit of the exercise of their right to self-determination, such peoples are entitled to seek and to receive support in accordance with the purposes and principles of the Charter of the United Nations.

The territory of a colony or other non-self-governing territory has, under the Charter of the United Nations, a status separate and distinct from the territory of the State administering it; and such separate and distinct status under the Charter shall exist until the people of the colony or non-self-governing territory have exercised their right of self-determination in accordance with the Charter, and particularly its purposes and principles.

Nothing in the foregoing paragraphs shall be construed as authorizing or encouraging any action which would dismember or impair, totally or in part, the territorial integrity or political unity of sovereign and independent States conducting themselves in compliance with the principle of equal rights and self-determination of peoples as described above and thus possessed of a government representing the whole people belonging to the territory without distinction as to race, creed or colour.

Every State shall refrain from any action aimed at the partial or total disruption of the national unity and territorial integrity of any other State or country.

The principle of sovereign equality of States

All States enjoy sovereign equality. They have equal rights and duties and are equal members of the international community, notwithstanding differences of an economic, social, political or other nature.

In particular, sovereign equality includes the following elements:

(a) States are juridically equal;

(b) Each State enjoys the rights inherent in full sovereignty;

(c) Each State has the duty to respect the personality of other States;

(d) The territorial integrity and political independence of the State are inviolable;

(e) Each State has the right freely to choose and develop its political, social, economic and cultural systems;

(f) Each State has the duty to comply fully and in good faith with its international obligations and to live in peace with other States.

The principle that States shall fulfil in good faith the obligations assumed by them in accordance with the Charter

Every State has the duty to fulfil in good faith the obligations assumed by it in accordance with the Charter of the United Nations.

Every State has the duty to fulfil in good faith its obligations under the generally recognized principles and rules of international law.

Every State has the duty to fulfil in good faith its obligations under international agreements valid under the generally recognized principles and rules of international law.

Where obligations arising under international agreements are in conflict with the obligations of Members of the United Nations under the Charter of the United Nations, the obligations under the Charter shall prevail.

General part

2. *Declares* that:

In their interpretation and application the above principles are interrelated and each principle should be construed in the context of the other principles,

Nothing in this Declaration shall be construed as prejudicing in any manner the provisions of the Charter or the rights and duties of Member States under the Charter or the rights of peoples under the Charter taking into account the elaboration of these rights in this Declaration,

3. *Declares further* that:

The principles of the Charter which are embodied in this Declaration constitute basic principles of international law, and consequently appeals to all States to be guided by these principles in their international conduct and to develop their mutual relations on the basis of their strict observance.

2. RESOLVED: THAT THE UNITED STATES GOVERNMENT SHOULD SIGNIFICANTLY INCREASE ITS NON-MILITARY ASSISTANCE TO LATIN AMERICA.

Foreign aid: the evolution of U.S. programs, by Stanley J. Heginbotham.
Washington, Congressional Research Service, 1986. 23 p. (CRS Report
86-86 F)

ABSTRACT

Since 1946, Congress has obligated the equivalent in FY 87 dollars of $825 billion of foreign aid. This report provides a broad overview of where that aid has gone, both by region and by program. It also explores briefly the original rationale for foreign aid, how that rationale changed and became more ambiguous, and how disillusionment with early aid efforts led to changes in the character, scope, and mix of our aid programs.

CONTENTS

ABSTRACT iii

ACKNOWLEDGMENT....................iii

INTRODUCTION....................1

I. ORIGINS OF POST WORLD WAR II FOREIGN AID: THE MARSHALL PLAN...1

II. THE ASIAN FOCUS: ATTEMPT TO REPLICATE SUCCESS OF MARSHALL PLAN....................2

III. TWO KEY PROBLEMS WITH SUBSEQUENT AID....................3
  A. Confusion Over Goals....................3
  B. Disillusionment....................4

IV. RESULTING EVOLUTION IN FOREIGN AID....................5

V. REEVALUATION OF RESULTS OF EARLY AID EXPERIENCE....................6

VI. BUDGETARY TRENDS....................6
  A. Evolution of Aid Programs Across Regions....................7
  B. Evolution of Aid by Major Programs....................12
  C. Aid as a Percent of Gross National Product....................18

VII. APPENDIX....................20

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AN OVERVIEW OF U.S. FOREIGN AID PROGRAMS

INTRODUCTION

This report summarizes some major issues and trends in the history of post-World War II U.S. foreign aid. Its purpose is to show -- and explain -- some of the major patterns and issues in the evolution of U.S. aid programs: their beginnings in Europe, the shift in focus to Asia, the major problems that developed, and the major changes in programs that were instituted in response to those problems. As a way of illustrating these patterns the report will show how U.S. budgetary obligations have shifted, first across regions, then by major program, and finally as a percent of our national wealth. The report is designed to provide perspective on the dilemmas and challenges that Congress faces in reviewing current aid proposals.

ORIGINS OF POST WORLD WAR II FOREIGN AID: THE MARSHALL PLAN

Modern peacetime foreign aid began with massive assistance to the countries of western Europe following World War II. In the years between 1947 and 1953, the value of that aid, in real terms, was greater than the total annual amount of our subsequent aid to developing countries in all but a couple of peak years. This early experience is important for three reasons:

First, though part of the motive for giving the aid was humanitarian, the major goal was to contain communism. The United States was very much concerned at the time about the rising strength of communist parties in Western Europe.

Americans believed that poverty and hopelessness bred communism; that growth and prosperity were the best antidotes to communism.

Second, this was an enormously successful foreign aid story. It showed that large-scale infusions of money and commodities could, under the right circumstances, produce growth and, -- one could argue -- retard the spread of communism.

Third, this success was achieved in societies that had already developed the traditions, institutions, and skills necessary to produce sustained economic growth. European aid recipients primarily needed resources for rebuilding.

THE ASIAN FOCUS: ATTEMPT TO REPLICATE SUCCESS OF MARSHALL PLAN

After the Marshall Plan the focus of foreign aid shifted to Asia. As the scale of the Sino-Soviet communist bloc became clear, as the challenge to U.S. leadership posed by the Korean War emerged, and as the economic and security problems of emerging nations became more obvious, policy makers saw the replication of a Marshall Plan-type of strategy in Asia as an important instrument for protecting first Korea, Taiwan, and Indochina, and subsequently other Asian countries, against communist expansion and infiltration.

Three features of this phase of our foreign aid merit special attention:

First, though we did not fully recognize the significance of the fact at the time, these countries generally lacked the organizational, educational and cultural infrastructure of development. Rather, they needed to undergo significant -- and often slow and painful -- change before economic growth and competitive politics would be possible.

Second, the threats to these countries seemed to be not only economic, but military as well. Communism was seen as expanding not only through domestic political movements, but through guerrilla-type insurgencies and large scale military actions as well. Thus, we saw the need for both economic and military assistance.

Third, by the late 1950s, we decided that, if our economic aid was to be persuasive in the struggle to reduce the appeal of communism, it would have to appear to be motivated by a disinterested concern for promoting growth in Asian countries, not by an American national security concern for containing communism.

TWO KEY PROBLEMS WITH SUBSEQUENT AID

These three features of foreign aid in the 1950s and early 1960s are important because they help to explain two major aspects of our subsequent aid program: confusion over the goals of the program, and disillusionment with its results:

Confusion Over Goals

As part of our strategy to counter communism on the Sino-Soviet periphery, we set up separate institutions to promote economic development. Those institutions, however, acquired legitimacy and constituencies of their own. Though they were originally designed to support economic development as a means to the end of countering the spread of communism, many of their supporters argued that these institutions should be promoting economic development for economic development's sake. In their views, humanitarian motives and the prospect of the United States benefiting in the long run, from a more developed world were adequate justification for aid-giving. We, as a nation, became confused by our own rhetoric. We remain unclear in our collective mind whether support for development should be a means to containing communism or an end in itself.

Disillusionment

Americans -- and Congress especially -- quickly became disillusioned with foreign aid. This disillusionment spread and deepened over two decades, reaching its peak with the fall of Vietnam, where massive infusions of military aid, development assistance, and budget support were unable to promote stable and effective government or sustained economic growth, let alone provide a successful antidote to communist subversion and expansion. Why this sense of false expectation and subsequent disillusionment?

Primarily it was because we expected foreign aid to work in Asia, and subsequently in Latin America and the Middle East, much as it had worked in Western Europe. Just as Western Europe had been thrown off course by World War II, Asia had been thrown off course by colonialism. With infusions of money, military support, and technical assistance, many Americans expected to have new nations of Asia on their feet in a few more years than it had taken for the nations of Europe, able to withstand communism on their own.

The United States, as a nation, is still coming to terms with just how unrealistic those expectations were. We are still learning just how much is involved in building the institutions, the leadership, the knowledge, and the personal beliefs that are necessary to sustain economic growth alongside even moderate levels of political freedom.

Many Americans were shocked to discover that the governments, as well as the economies, of the countries we were trying to help were undeveloped: they were often inept, corrupt, and repressive. Many Americans were angered when our military aid was used to repress legitimate opponents of the regimes we supported. Many were outraged when our military and economic aid lined the pockets of the already well-to-do. Many were frustrated when even the well-meaning recipients of our aid were unable to use our money and advice to promote growth.

The disillusionment had three major aspects to it:

First, whereas in Europe our aid seemed to help the people, in the underdeveloped world it seemed to help government leaders, often at the apparent expense of the people. U.S. aid sometimes seemed to be keeping the corrupt and repressive in power, adding to their corruption and repression.

Second, whereas in Europe our aid produced dramatic results within five or six years, in the underdeveloped world it seemed to have little if any positive effects. We didn't see dramatic growth or the eradication of poverty.

Third, whereas in Europe our aid was received with appreciation, in the underdeveloped world the reaction seemed to be suspicion about our motives, vocal criticism of our economic system, and anti-Americanism in international organizations.

RESULTING EVOLUTION IN FOREIGN AID

A number of major changes in our foreign aid programs since the mid-1950s can be understood as reactions to these aspects of our national disillusionment with foreign aid.

First, our major military, development, and commodity aid programs have been subjected to increasingly rigorous and detailed restrictions as Congress and the executive branch have tried to stem the use of aid to promote repression, corruption, and the enrichment of the already privileged.

Second, we have seen a succession of theories about how development works, theories that have been used, in part at least, to support arguments that though we had not seen dramatic results from our recent aid efforts, our new approach would be more effective.

Third, we have seen a major shift away from grant military aid toward greater reliance on foreign military cash and credit arms sales in response to the argument that recipient countries should have become able to provide for their own defense.

And fourth, we have seen a very substantial long-term decline in overall aid levels relative to our national wealth.

REEVALUATION OF RESULTS OF EARLY AID EXPERIENCE

One final word on disillusionment. We are now in a period of reevaluation. It seems clear that our time horizons for assessing impact of aid to Asia was too short. From the perspective of 1986, the security and economic situations of a number of countries of South and Southeast Asia have dramatically improved from what they were in the late 1950s. That said, of course, it is not clear how much of that improvement was the result of U.S. aid. Nor is it clear whether the returns on that aid justify the cost. This perspective makes it abundantly clear, however, as we look at problems of aid to countries in Africa, that there are no quick or easy solutions to the pervasive underdevelopment in much of that continent.

BUDGETARY TRENDS

The trends and themes developed above can be graphically summarized in budgetary terms through charts showing regional patterns, programmatic patterns and obligations as a share of GNP. These charts do not include military aid money that went to support the Vietnam War effort under the Defense Department's Military Assistance Service Fund program. The appendix contains tables on which these charts are based.

Evolution of Aid Programs Across Regions

Figures I and II show the evolution of U.S. post-war aid obligations across regions of the world from fiscal year 1946 to fiscal year 1986. These figures are adjusted for inflation. They are expressed in terms of the real value of 1987 dollar equivalents. Figures I-A - I-E show each region separately on the same scale, building step by step, region by region, toward Figure II, an area graph that shows each regional program separately and the total program on a single graph.

Figure I-A shows aid to Europe, with the heavy focus on the early period, peaking at an average of about $24 billion per year -- in 1987 dollar equivalents -- in 1950 and 1951. That aid shifts toward Greece and Turkey in the 1950s, and shows a revival of aid to the southern region of Europe in the 1980s.

Figure I-B shows aid to Asia. The major growth occurs in the 1954-1975 period, reaching a peak in the early seventies, with an abrupt fall-off after Vietnam. Actual aid levels to Asia between 1966 and 1975 were significantly higher than those shown here if one includes transfers under the Defense Department's Military Assistance Service Fund (MASF), a program designed to provide military aid primarily to Vietnam, but also to our allies fighting in Vietnam. A total of over $40 billion (in constant 1987 dollars) was spent through MASF during these years with the peak in 1973 when obligations were $8.35 billion (in 1987 dollars).

Figure I-C shows aid to the Middle East, a modest recipient until 1972-73. By 1976-77, however, it replaces Asia as the largest recipient, which it remains to this day.

Both Africa and Latin America are the focus of much policy attention when aid is discussed, but Figures I-D and I-E dramatize the relatively small roles that both have played as aid recipients. Figure I-D shows the growth spurt of the Alliance for Progress in the 1962-67 period, the reemergence of aid to Central America in the 1980s, and the 25% reduction in fiscal year 1986 resulting from sequestration as a part of the Gramm-Rudman-Hollings budget reduction process. Figure I-E shows the steady growth in the value of aid to Africa between 1976 and 1985 and the abrupt 33% decline in fiscal year 1986 resulting from sequestration.

Figure II puts the five elements of Figure I together to provide a regional overview of U.S. aid programs. The large scale of Marshall Plan aid in the late 1940s and early 1950s, the dominance of Asia between 1954 and 1973 and the subsequent emergence of the Middle East are clearly reflected in Figure II.

Figure 1

U.S. AID

1946-86

by Region

(in billions
of constant
1987 dollars)

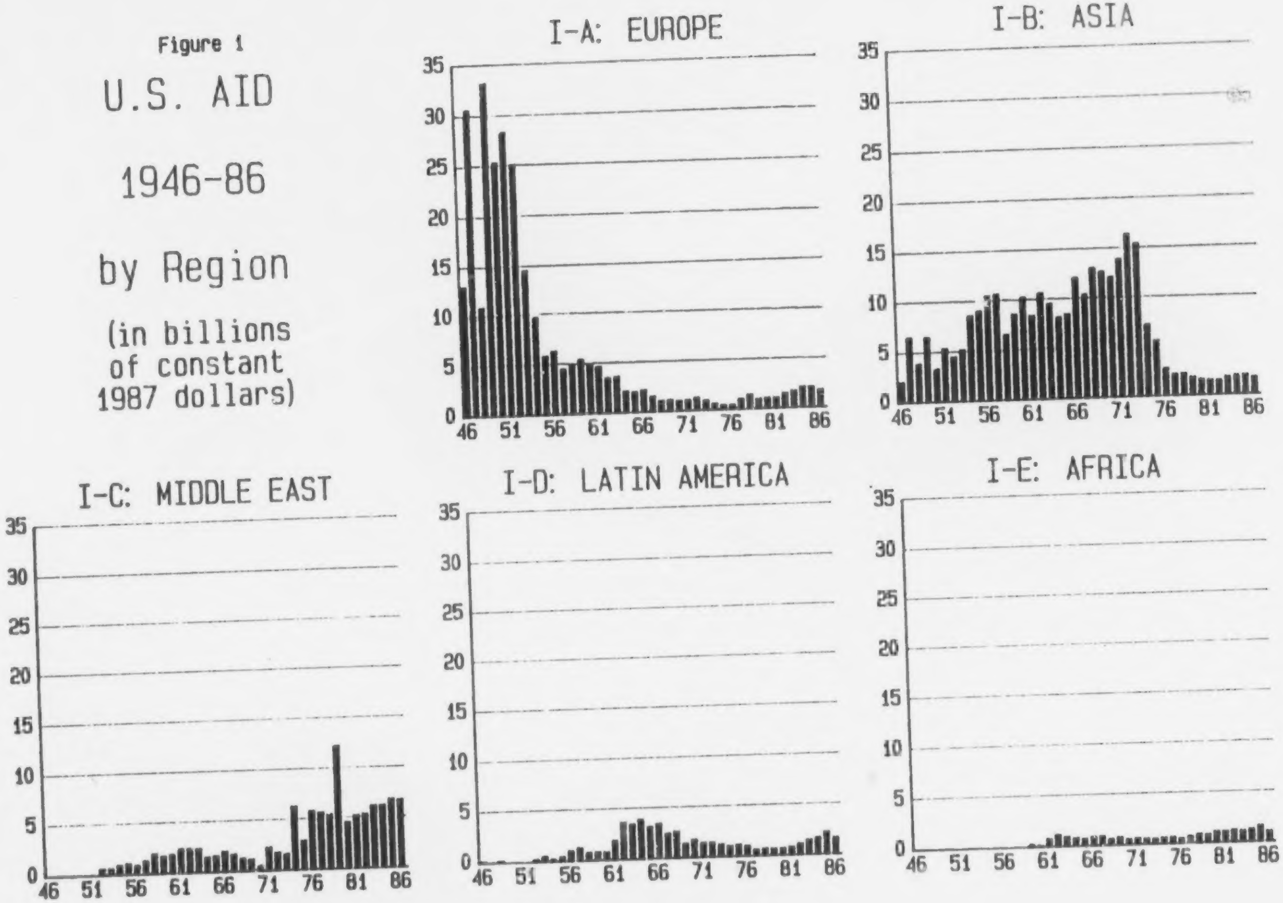
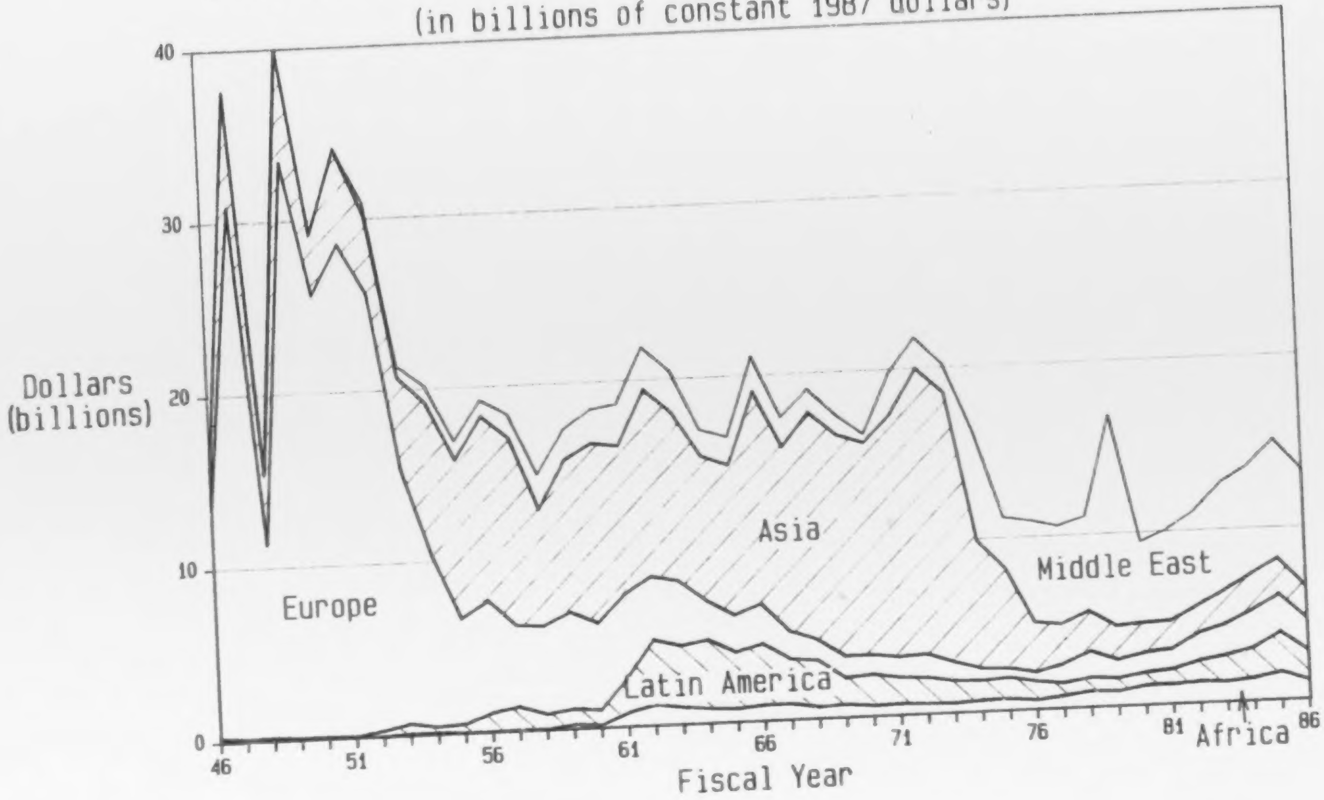


Figure II

U.S. FOREIGN AID, 1946-86, BY REGION

(in billions of constant 1987 dollars)



Evolution of Aid by Major Programs

The next set of charts show the major program components of this aid. Again, each component is presented separately, and then Figure IV shows how they add up to the totality of U.S. foreign aid.

First, development aid is shown in Figure III-A. High as an element in early European aid, development aid declined during the focus on security assistance in Asia in the mid-1950s, emerged to a peak in 1964-65 when it appealed both as a means of containing communism and as an end in itself, then declined as disillusionment set in.

Figure III-B shows food aid. It emerges as an important aid mechanism in the mid-1950s, peaking during 1962-63. The subsequent decline was even more dramatic than it appears here because steep increases in grain prices resulted in major declines in the amount of food that could be bought per dollar expended.

Multilateral aid (Figure III-C) emerged in the early 1960s in conjunction with the "development for development's sake" view, but has never become a dominant feature in U.S. aid.

The Economic Support Fund (ESF) and its precursor programs (Figure III-D) were substantial in the mid-1950s, but declined during the 1960s and early 1970s. ESF began to reemerge in the late 1970s as one of the few programs that provides flexible and timely aid in support of national security goals. It is now focused on the Israel, Egypt, Pakistan and countries of Central America.

Finally, the real dollar value of military aid is seen in Figure III-E. This has been the largest aid category during much of the post war period. Peaks appear in 1952-53 because of Greece, Taiwan, and Korea; and in 1972-73 because of Vietnam. It has, in the past five years, again begun to grow following a low point in 1980-81.

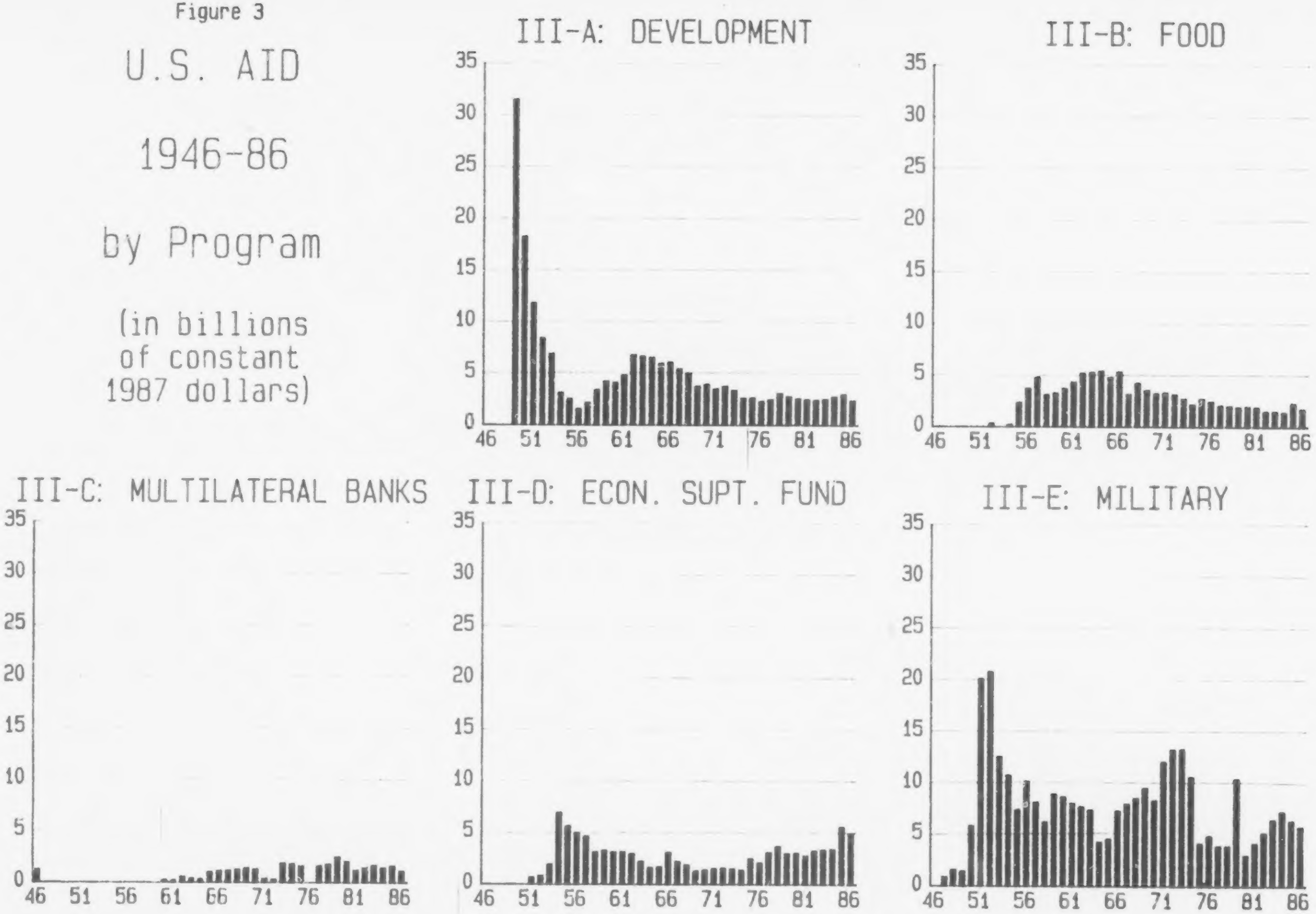
Figure 3

U.S. AID

1946-86

by Program

(in billions
of constant
1987 dollars)



III-A: DEVELOPMENT

III-B: FOOD

III-C: MULTILATERAL BANKS

III-D: ECON. SUPT. FUND

III-E: MILITARY

Figure IV shows the impressive scale of early development and other economic aid. The early 1950s saw the rapid growth of military assistance as attention turned to Asia. The 1961-66 period emphasized development and food aid. Military and then E.S.F. reemerged in the late 1960s. The general stability of the real dollar value of U.S. aid between 1954 and 1986 is also clear from this chart.

Figure IV

U.S. FOREIGN AID, 1946-86, BY MAJOR PROGRAM

(in billions of constant 1987 dollars)

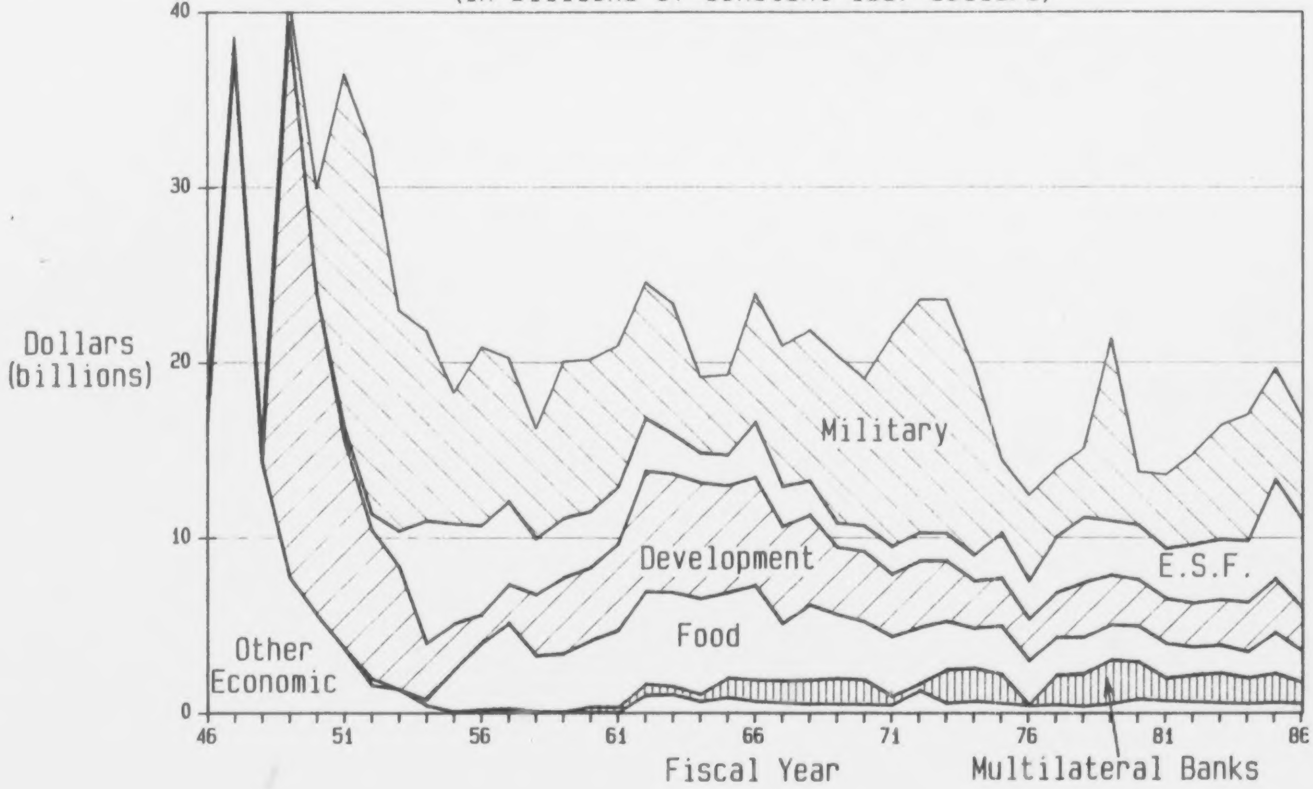
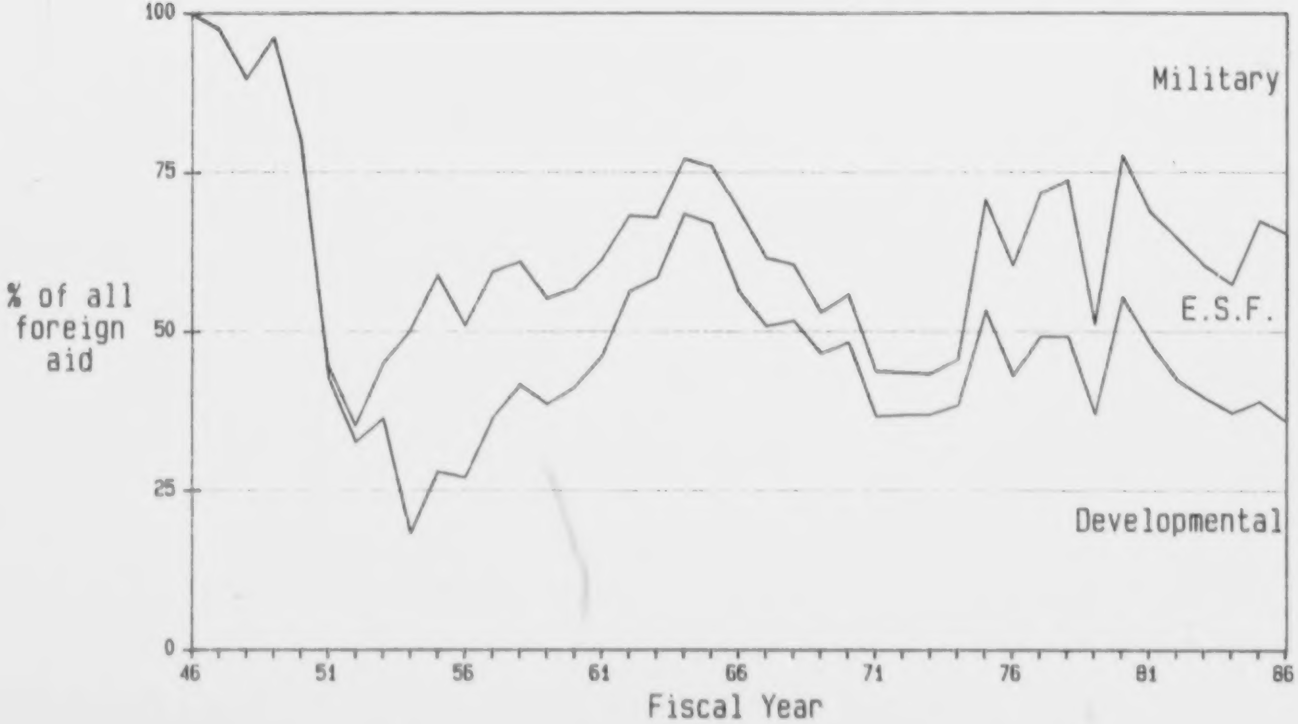


Figure V shows the shifting balance between economic and military aid programs. The dominance of development aid through 1951 is clear, as is the emergence of military aid as the major type of aid in 1952, with a substantial component of economic support emerging over the next decade. Development aid reemerges as the dominant type between 1960 and 1969. Military aid dominates in the early 1970s (inclusion of MASF would show even greater military dominance during this period), but then decreases rapidly between 1972 and 1981. Finally, the growth of ESF as a major program component is clear beginning around 1974.

Figure V

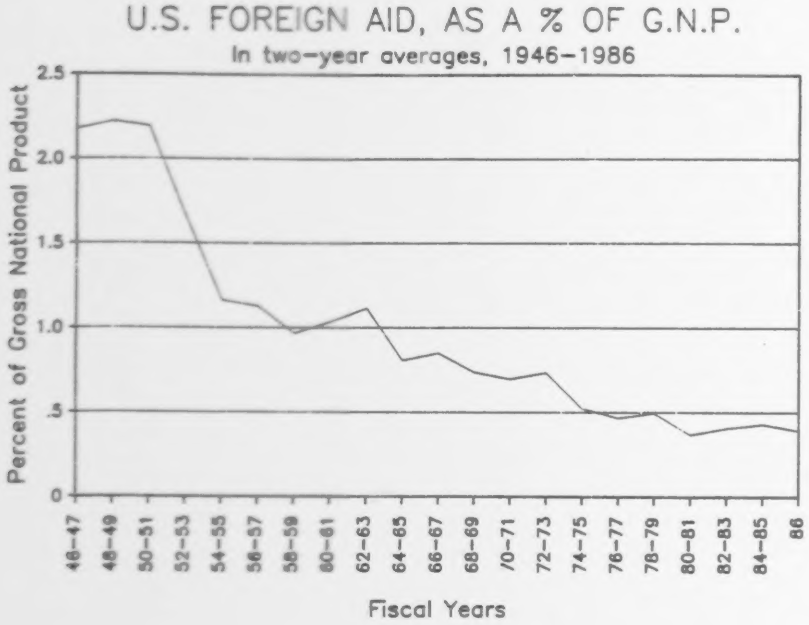
U.S. FOREIGN AID, 1946-1986,
MAJOR PROGRAM SHARES



Aid as a Percent of Gross National Product

The final image (Figure VI) reflects national commitment to foreign aid. This is illustrated by annual foreign aid obligations as a share of U.S. Gross National Product. Aid to Europe and Asia through 1951 ran over 2% of GNP. The late 1950s and early 1960s saw aid at about 1% of GNP. The effects of disillusionment and an increasing focus on domestic U.S. problems are clearly evident in the progressive decline since 1963 to a low of less than four-tenths of one percent in 1981.

Figure VI



APPENDIX

TABLES OF FOREIGN AID
OBLIGATIONS 1946-86

Table I

U.S. Foreign Aid , 1946-86, by Major Region [*/]
(2-year averages, in billions of constant 1987 dollars)

Year	Europe	Asia	Mid-East	Africa	L. America	Totals
1946	$13.217	$2.239	$.129	$.049	$.203	$15.837
1947	30.744	6.677	.134	.009	.159	37.723
1948	11.101	4.023	.007	.003	.212	15.346
1949	33.338	6.646		.001	.131	40.116
1950	25.566	3.468	.059	.001	.141	29.235
1951	28.506	5.485	.137	.004	.083	34.215
1952	25.309	4.621	.683	.011	.344	30.968
1953	14.688	5.348	.700	.119	.603	21.458
1954	9.977	8.764	1.006	.144	.309	20.200
1955	6.074	9.185	1.141	.043	.527	16.970
1956	6.499	10.680	.971	.052	1.096	19.298
1957	4.695	10.828	1.394	.107	1.352	18.376
1958	5.105	6.751	2.050	.067	.857	14.830
1959	5.611	8.762	1.804	.299	.901	17.377
1960	5.025	10.430	1.959	.173	.878	18.465
1961	4.817	8.582	2.496	.850	2.010	18.755
1962	3.690	10.798	2.487	1.240	3.753	21.968
1963	3.764	9.722	2.442	1.013	3.559	20.500
1964	2.256	8.351	1.559	.872	3.999	17.037
1965	2.146	8.673	1.675	.784	3.273	16.551
1966	2.319	12.261	2.076	.962	3.540	21.158
1967	1.635	10.623	1.754	.974	2.559	17.545
1968	1.205	13.155	1.360	.679	2.727	19.126
1969	1.271	12.815	1.194	.801	1.494	17.575
1970	1.127	12.240	.549	.623	1.843	16.382
1971	1.180	14.052	2.359	.702	1.502	19.795
1972	1.392	16.508	1.832	.620	1.504	21.856
1973	1.088	15.589	1.681	.572	1.305	20.235
1974	.707	7.412	6.366	.689	1.125	16.299
1975	.531	5.768	2.992	.716	1.224	11.231
1976	.522	2.906	5.903	.552	1.089	10.972
1976TQ	.551	.834	1.912	.194	.262	3.753
1977	1.122	2.299	5.711	.754	.717	10.603
1978	1.532	2.326	5.527	.974	.780	11.139
1979	1.069	1.954	12.281	.883	.744	16.931
1980	1.160	1.723	4.694	1.167	.739	9.483
1981	1.177	1.627	5.353	1.180	.868	10.205
1982	1.599	1.590	5.523	1.286	1.195	11.193
1983	1.816	1.939	6.275	1.196	1.533	12.759
1984	2.192	2.076	6.301	1.355	1.755	13.679
1985	2.170	2.100	6.903	1.670	2.300	15.143
1986	1.843	1.840	6.831	1.119	1.714	13.347
Totals	$271.352	$293.689	$118.228	$25.527	$56.928	$765.724

[*/] This table does not include about $120 billion in foreign aid obligations that were not focused on specific regions.

Table II
U.S. Foreign Aid, 1946-86 By Major Programs
(2-year averages, in billions of constant 1987 dollars)

Year	Development Assistance	Food Aid	Other Economic Aid	Multilateral Development Banks	Economic Support Fund	Military Aid	Total
1946			$16.749	$4.357			$21.106
1947			37.670			$ .958	38.628
1948			14.333			1.638	15.971
1949	$31.627		7.780			1.516	40.923
1950	18.343		5.657		$.003	5.949	29.952
1951	11.896		3.729		.750	20.186	36.561
1952	8.489	$ .393	1.607		.908	20.844	32.234
1953	6.997	.018	1.350		2.013	12.633	23.011
1954	3.214	.318	.439		7.023	10.835	21.829
1955	2.628	2.421	.070		5.690	7.499	18.308
1956	1.645	3.802	.202		5.053	10.247	20.949
1957	2.223	4.844	.164	.146	4.716	8.209	20.302
1958	3.488	3.188	.091		3.196	6.313	16.276
1959	4.321	3.349	.073		3.382	8.994	20.119
1960	4.178	3.784	.065	.310	3.201	8.707	20.245
1961	4.937	4.419	.055	.282	3.235	8.112	21.040
1962	6.863	5.291	1.042	.647	3.014	7.781	24.638
1963	6.749	5.365	1.090	.450	2.270	7.466	23.390
1964	6.613	5.484	.658	.407	1.702	4.358	19.222
1965	6.061	4.872	.929	1.114	1.757	4.644	19.377
1966	6.156	5.414	.676	1.230	3.143	7.369	23.988
1967	5.529	3.262	.598	1.256	2.595	8.051	21.291
1968	5.108	4.308	.530	1.376	1.952	8.623	21.897
1969	3.839	3.630	.539	1.478	1.363	9.593	20.442
1970	3.997	3.322	.515	1.396	1.464	8.417	19.111
1971	3.560	3.404	.469	.497	1.583	12.154	21.667
1972	3.806	3.205	1.319	.372	1.623	13.313	23.638
1973	3.433	2.791	.556	1.934	1.561	13.371	23.646
1974	2.704	2.252	.717	1.883	1.482	10.655	19.693
1975	2.713	2.787	.580	1.645	2.572	4.214	14.511
1976	2.354	2.527	.429	.046	2.181	4.928	12.465
1976TQ	.797	.361	.149	.646	1.673	1.262	4.888
1977	2.547	2.149	.519	1.677	3.180	3.944	14.016
1978	3.140	2.067	.407	1.857	3.737	3.960	15.168
1979	2.850	1.993	.547	2.528	3.070	10.463	21.451
1980	2.640	2.046	.848	2.105	3.109	3.058	13.806
1981	2.558	1.997	.735	1.276	2.847	4.232	13.645
1982	2.502	1.585	.680	1.523	3.343	5.239	14.872
1983	2.595	1.588	.614	1.721	3.440	6.518	16.476
1984	2.827	1.487	.563	1.475	3.504	7.285	17.141
1985	3.059	2.330	.651	1.664	5.642	6.408	19.754
1986	2.447	1.810	.564	1.189	5.017	5.811	16.838
Totals	$201.449	$103.889	$106.978	$38.501	$108.013	$315.778	$874.608

Table III
U.S. Foreign Aid, 1946-1986
Distribution among Developmental, ESF-Type, and Military Programs

Year	Developmental	ESF & its Precursors	Military
1946	100.00%		
1947	97.51%		2.48%
1948	89.74%		10.25%
1949	96.29%		3.70%
1950	80.12%	.01%	19.86%
1951	42.73%	2.05%	55.21%
1952	32.53%	2.81%	64.65%
1953	36.35%	8.74%	54.89%
1954	18.19%	32.17%	49.63%
1955	27.96%	31.07%	40.96%
1956	26.96%	24.12%	48.91%
1957	36.33%	23.22%	40.43%
1958	41.57%	19.63%	38.78%
1959	38.48%	16.80%	44.70%
1960	41.18%	15.81%	43.00%
1961	46.06%	15.37%	38.55%
1962	56.18%	12.23%	31.58%
1963	58.37%	9.70%	31.91%
1964	68.47%	8.85%	22.67%
1965	66.96%	9.06%	23.96%
1966	56.17%	13.10%	30.71%
1967	49.99%	12.18%	37.81%
1968	51.70%	8.91%	39.37%
1969	46.40%	6.66%	46.92%
1970	48.29%	7.66%	44.04%
1971	36.59%	7.30%	56.09%
1972	36.81%	6.86%	56.32%
1973	36.85%	6.60%	56.54%
1974	38.36%	7.52%	54.10%
1975	53.23%	17.72%	29.04%
1976	42.96%	17.49%	39.53%
1976TQ	39.95%	34.22%	25.81%
1977	49.17%	22.68%	28.13%
1978	49.25%	24.63%	26.10%
1979	36.91%	14.31%	48.77%
1980	55.33%	22.51%	22.14%
1981	48.12%	20.86%	31.01%
1982	42.29%	22.47%	35.22%
1983	37.50%	20.87%	39.56%
1984	37.05%	20.44%	42.50%
1985	38.99%	28.56%	32.43%
1986	35.69%	29.79%	34.51%
Totals	51.54%	12.34%	36.10%

Table IV
Foreign Aid as a Percent
of Gross National Product
1946-86

Year	Aid as a % of GNP
1946	1.47
1947	2.88
1948	1.23
1949	3.21
1950	2.08
1951	2.30
1952	1.96
1953	1.36
1954	1.30
1955	1.02
1956	1.15
1957	1.10
1958	.89
1959	1.04
1960	1.03
1961	1.04
1962	1.16
1963	1.07
1964	.83
1965	.78
1966	.91
1967	.79
1968	.77
1969	.70
1970	.66
1971	.73
1972	.76
1973	.71
1974	.59
1975	.45
1976	.52
1977	.41
1978	.42
1979	.57
1980	.37
1981	.36
1982	.40
1983	.41
1984	.43
1985	.43
1986	.39

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Foreign aid: answers to ten frequently asked questions, by Larry Q. Nowels, with the research assistance of Li Gwatkin. Washington, Congressional Research Service, 1986. 13 p. (CRS report 86-856 F)

The U.S. foreign assistance program is a key part of the international affairs budget and an activity regarded by many as an important foreign policy tool. Foreign assistance is also the focus of frequent congressional attention during foreign policy and appropriation debates. This paper addresses ten general questions about the size, scope, and policy of the current U.S. foreign aid program.

1. How large is the U.S. foreign assistance budget?

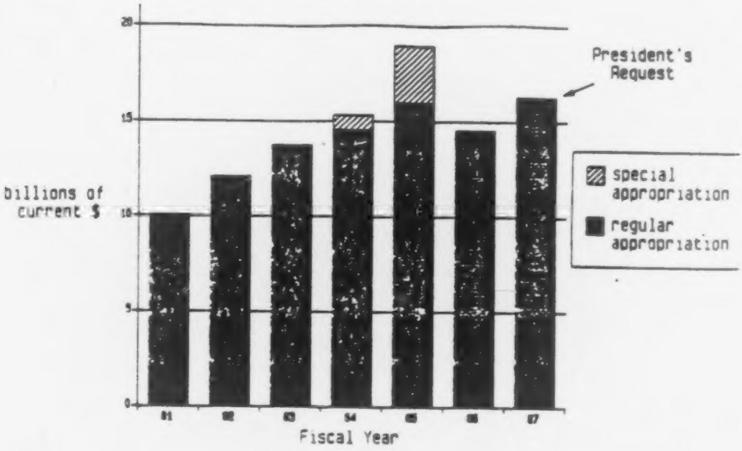
For fiscal year 1985, Congress appropriated $19 billion in new budget authority for foreign assistance, an amount representing 1.9 percent of the total U.S. Government budget. Foreign assistance outlays--the amount of money actually spent for this purpose from all accounts in fiscal year 1985--came to $14.8 billion, or 1.6 percent of total U.S. Government outlays. As a percent of U.S. gross national product, foreign assistance outlays totaled 0.4 percent in 1985. 1/ Estimates for FY 1986 foreign aid appropriations, after application of the Gramm-Rudman-Hollings Deficit Reduction Act, are $14.7 billion--a figure representing a slight reduction in the share of U.S. budget authority, outlays, and GNP.

1/ U.S. Office of Management and Budget. Executive Office of the President. Budget of the United States Government FY 1987.

2. The federal budget is being cut. Is the foreign assistance budget being cut proportionately?

As Figure 1 shows, the foreign assistance budget grew steadily during the early 1980's. Congressional pressures to reduce the foreign assistance budget and the automatic 4.3 percent sequestration required under the Gramm-Rudman-Hollings Act, however, pushed the fiscal year 1986 foreign aid budget 11 percent lower than the regular appropriations in 1985. The fiscal year 1987 Presidential request calls for an increase of 12 percent.

Figure 1
Foreign Aid Appropriations: 1981 - 1987
Current Dollars



3. Who receives American foreign assistance?

About 125 countries receive some type of assistance from the United States. For fiscal year 1986, the top ten recipients of U.S. foreign assistance are:

TEN MAJOR RECIPIENTS	FOREIGN ASSISTANCE--1986 (current $ millions of obligations)
Israel	$3,621.00
Egypt	$2,497.06
Turkey	738.86
Pakistan	657.60
El Salvador	438.80
Greece	431.89
Spain	396.60
Philippines	390.96
Honduras	118.81
Korea	164.57
Total	$9,375.80

Together, these 10 countries receive 74 percent of bilateral aid. Israel and Egypt, the top two recipients, receive 48 percent of FY 1986 bilateral allocations and 37 percent of total foreign aid obligations.* Broken down into regions, the Middle East receives 51 percent of all bilateral assistance, Europe receives 14 percent, Asia, 14 percent; Central America, 8 percent; Africa, 9 percent; and other Latin American countries, 5 percent.

4. What are the different types of U.S. foreign aid?

Foreign assistance can be broken down roughly into four major categories. Development assistance programs consist of long term projects aimed at enhancing the economic expansion of developing countries that exhibit a commitment to growth. Bilateral programs include agriculture, population planning, health, education and human resources and the Child Survival Fund. Approximately 17 percent of the foreign assistance budget in FY 1986 was devoted to bilateral development assistance. The United States also transfers funds to multilateral development programs such as the United Nations Development Program, UNICEF, and the World Bank. Such organizations were allotted about 10 percent of the foreign assistance budget in 1986; together U.S. bilateral and multilateral development assistance programs account for about 27 percent of the foreign aid budget in 1986.

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* These figures reflect amounts of obligations and therefore are not necessarily compatible with appropriations figures referred to in Question 1.

Through the P.L. 480 or Food for Peace program, the United States transfers surplus American agricultural goods to needy countries. Food aid is provided through low interest loans and through direct donations to meet emergencies and humanitarian obligations. Food assistance accounts for about 9 percent of the total 1986 foreign aid program.

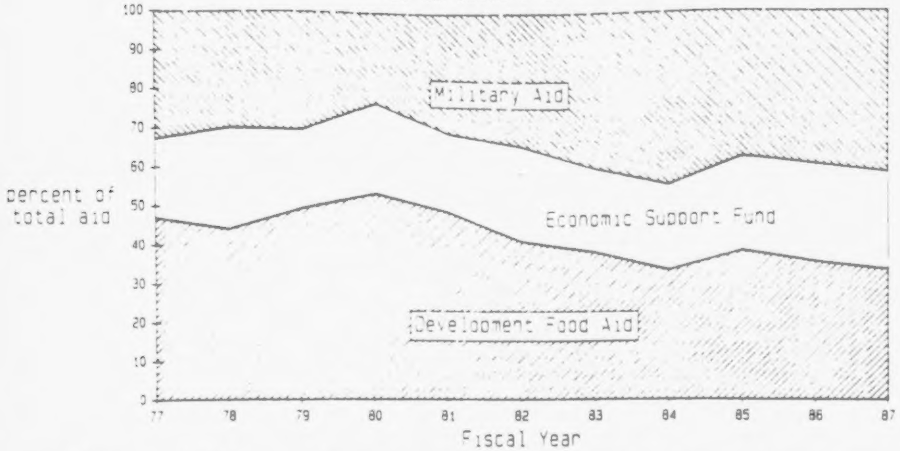
The Economic Support Fund (ESF) provides economic aid for countries of special economic, political and security concern to the United States. Most funds are used for short-term economic stabilization and budget support. ESF currently (FY 1986) makes up 24 percent of the foreign assistance budget.

A final grouping is Military Assistance. Military equipment sales are financed with market and concessional rate loans under the Foreign Military Sales Credit program, and with grants through the Military Assistance Program. Training is provided through the International Military Education and Training program. Military assistance currently takes up 40 percent (in FY 1986) of the foreign assistance budget.

As illustrated in Figure 2, in recent years, there has been a shift in funding allocations that has emphasized security assistance programs. 2/

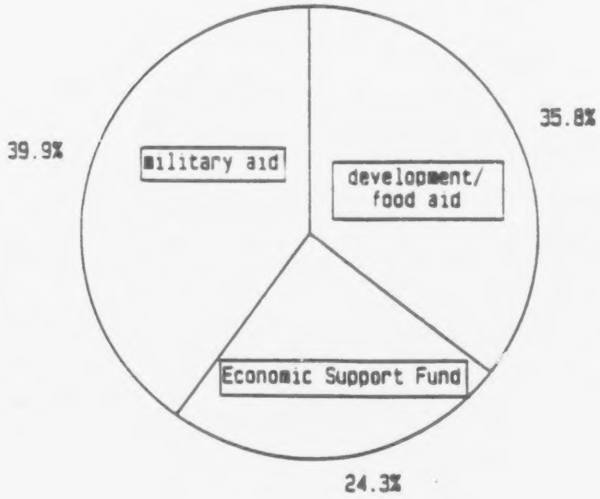
2/ Security assistance includes the Economic Support Fund and military assistance.

Figure 2
Composition of U.S. Foreign Aid
Appropriations 1977 - 1987



Since the 1970's, development and food assistance has dropped from about one half to one third of the budget. In Figure 2, ESF has risen from less than 20 percent to approximately 25 percent while military assistance has grown from roughly one third of the budget to 40 percent. Figure 3 shows the composition of foreign assistance for FY 1986.

Figure 3
Composition of Foreign Assistance
Fiscal Year 1986



5. What are the goals and objectives of U.S. foreign assistance?

The top foreign aid priorities include: support for peace in the Middle East through assistance to Israel, Egypt and certain others; access to military bases overseas through assistance to Turkey, Greece, Spain, Portugal and the Philippines; and the containment of communist aggression through aid to Central America, Korea, Pakistan and others. Additional foreign aid objectives are the encouragement of self-sustaining economic growth in the developing world, the alleviation of suffering of victims of famine and other natural disasters, and the support of respect for internationally recognized human rights. Foreign aid programs may also occasionally be influenced by domestic economic goals as well.

6. Do the dollars sent abroad as foreign assistance benefit the United States?

This question raises a number of complex issues upon which there exists wide disagreement. Supporters of the U.S. foreign assistance program maintain that foreign aid dollars help the United States in the following ways: 1) such funds play an important role in the achievement of U.S. foreign policy goals, including the strengthening of political alliances important to the United States; 2) aid programs that strengthen the economies of developing countries also increase the demand in these countries for American goods, and 3) most assistance money is spent in the United States on American goods and services to be sent abroad.

Supporters claim that foreign assistance is also a valuable foreign policy tool, arguing that it can strengthen U.S. defense alliances, promote access to American military bases overseas, encourage the advancement of democratic principles and respect for human rights, and fulfill American humanitarian obligations to the international community. Proponents argue that if U.S. aid is instrumental in creating a healthy developing nation, thereby preventing U.S. involvement in a war triggered by poverty and weakness, the aid expenditures are a tremendous bargain.

This group argues that the United States is increasingly involved in the world community both as an exporter and importer of goods and is thus more dependent on the world market. They claim that the foreign assistance program promotes economic growth and stability in developing countries and strengthens the world market, thereby enhancing trade opportunities. Facts cited by proponents to support this include the following: first, between 1960 and 1984, the constant value of American exports tripled, growing from 5.7 percent of GNP in 1960 to 9.9 percent in 1984. Second, one out of every three acres planted in the United States is for export sales. Third, one out of every eight workers in manufacturing depends to some degree on exports for a job. Fourth, developing countries provide markets for 38 percent of American exported goods and services, creating about two million jobs. 3/ Fifth, between 1960 and 1984, U.S. imports increased seven and a half times in real terms. And sixth, in 1984, 40 percent of U.S. imports came from developing countries. 4/ Proponents of foreign aid also emphasize the extent to which the United States depends on developing countries for critical requirements of many metals and minerals. In 1984, for example, the United States imported almost 100 percent of its tin from Malaysia, Thailand, Indonesia and Bolivia and 90 percent of its bauxite from Zaire and Zambia. 5/ According to this line of

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3/ U.S. United States International Development Cooperation Agency. Congressional Presentation, Fiscal Year 1987: 8-9. [Hereafter cited as Congressional Presentation.]

4/ Congressional Presentation, p. 11.

5/ Congressional Presentation, p. 11.

argument, American aid programs aimed at development of mining sectors in such countries would benefit the United States by increasing the supply of minerals available from these countries.

With this degree of involvement in the world market, advocates contend that it is in American interests to promote the growth and stability of economies around the world. Healthy, growing economies will demand more American goods and services and provide more goods and services for American needs.

Supporters of aid programs point out that most money spent on foreign assistance is spent in the United States on American goods and services that are sent abroad. The Agency for International Development (AID) estimates that about 70 percent of total development assistance including the Food for Peace program, and about 50 percent of ESF funds are spent on American goods and services. For example, in fiscal year 1985 the state of Minnesota earned $85 million as the sixth largest supplier of agricultural goods for the Food for Peace program. Minnesota also earned $23 million as the fifteenth largest supplier for other AID programs. Alabama, ranking twenty-seventh in the list of donors to Food for Peace, earned $9.6 million; that state also earned $60 million from other AID programs, ranking fifth on that list. 6/ Most economic and military assistance consists of American food, equipment, training, heavy machinery and technology. U.S. contributions to multilateral aid agencies are also spent largely in this country. In fiscal year 1984, for example, U.S. contributions to the World Bank totaled $1 billion. American businesses received $1.1 billion in the same year, from the World Bank through

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6/ U.S. Agency for International Development. Payments to U.S. Suppliers of Goods and Services for AID Programs and Estimated Value of P.L. 480 Export Shares by State. 1986.

disbursement contracts. World Bank disbursements to states ranged from $160 million for New York to $6,700 for Vermont.

Opponents of U.S. foreign assistance, however, contend that money is frequently misspent or subject to waste and fraud and subsequently funds do not reach those they are meant for. They point to the recent abuses of assistance in the Philippines and question the efficiency of the Ethiopian government in handling emergency food relief programs. They argue that many programs do not succeed in their goal of putting recipient countries on their feet and that the governments of such countries do not seem willing to help themselves. Despite billions of dollars in aid to Africa, they contend that economic conditions for most African nations have deteriorated rather than improved.

Opponents argue that trade flow figures have little relevance to the efficiency of foreign aid except as the latter is an export subsidy paid for by U.S. taxpayers. In their view, economic development is influenced more significantly by cultural and historical factors and a country's commitment to the application of free market economic principles; where these factors are favorable, success and subsequent trade would occur with or without aid.

Other critics believe that aid should go only to countries that support American interests and complain that the United States has little control over the choice of recipients of American dollars donated to multilateral agencies such as the World Bank. These analysts question the consistency with U.S. foreign policy interests of aid programs for nations openly hostile to the United States--such as Ethiopia--or for countries that continuously oppose u.S. purposes in public forums and vote against the United States in the United Nations.

Still other opponents feel that U.S. aid may undermine U.S. foreign policy objectives in a different fashion--that aid programs can involve the United States too deeply in the internal conflicts of other nations.

Finally, some opponents feel that time and money spent on foreign assistance programs should go to more pressing domestic issues, especially in a time of increasing budget cuts. Foreign aid dollars, even if spent in the United States or committed to deficit reduction, could be directed towards more economically productive and beneficial endeavors.

7. Is the foreign aid a giveaway program? Why do some countries receive grants while others receive loans?

The decision to give a country a grant or a loan is based on the financial condition of the recipient country. Poorer nations receive mostly grants. Middle-income countries will receive loans, but on terms based on each country's ability to meet repayment obligations. Between 1982 and 1984, about 38 percent of U.S. aid was offered as loans under a variety of terms and rates. In 1985, that level declined to 21 percent.

According to the Agency for International Development, having a portion of a foreign assistance program consist of loans can be useful. First, the money will be returned to the U.S. Treasury with interest. Secondly, a loan must be approved by the Finance Minister of the borrowing country, ensuring that the assistance may be taken more seriously than a program financed by a straight grant. The Agency cautions, however, that loans extended at high interest rates increase the chances that the recipient country will encounter difficulties in debt repayment.

8. How much of these loans have been repaid; how much interest has the U.S. collected? What incentives do foreign aid recipients have to repay U.S. loans?

Since 1945, the United States has extended $88.4 billion in aid loans. These loans have generated $47.7 billion in debt service payments to the United States. 7/ Since loans are amortized over 25 to 40 years, a substantial proportion of recent loans have not yet come to term.

Both Section 620(q) of the Foreign Assistance Act of 1961 and the Brooke amendment, currently Section 518 of the Foreign Appropriations 1986, provide incentives for borrowing countries to repay their loans on schedule. Pursuant to Section 620(q), if a country falls six months behind on U.S. debt payments, such country is ineligible for further American economic and military assistance unless the President waives the restriction by notifying the Congress that such aid is in the national interest. Under the Brooke amendment, if a country falls into arrears for longer than a year, all non-humanitarian assistance will be cut off. Examples of countries ineligible for U.S. aid because of the Brooke amendment are Ethiopia, Iran, Nicaragua, Tanzania and Vietnam.

9. How does the United States rank as a donor of foreign aid?

The United States ranks first among the developed countries in net disbursements of Official Development Aid. In 1984, the U.S. transferred $8.7 billion dollars. The second largest donor was Japan at $4.3 billion. France

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7/ U.S. Agency for International Development. Office of Planning and Budgeting. Bureau for Program and Policy Coordination. U.S. Overseas Loans and Grants and Assistance from International Organizations: Obligations and Loan Authorizations, July 1, 1945-September 30, 1985. p. 4.

and Germany were third and fourth with $3.8 billion and $2.8 billion, respectively.

When aid transfers are calculated by percent of gross national product, however, the United States is last among the developed countries at .24 percent of GNP. The Netherlands and Norway rank first at 1.02 percent of GNP, while Japan totals .35 percent , Germany .44 percent, and France .77 percent 8/

10. How can the United States ensure that foreign aid monies are reaching the intended recipients? Is misuse widespread?

Critics of foreign aid often maintain that funds are frequently misused. They contend that funds are diverted into the private bank accounts of high-ranking government officials or, in the case of military assistance, are used to purchase police equipment which may further humans rights violations.

AID administrators admit that some money is misused but assert that it represents a very small portion of the total. They counter that there are extensive reporting and accounting requirements built into the foreign assistance program, and that several groups--the Agency for International Development, the General Accounting Office and various congressional committees monitor the disbursement of foreign assistance funds.

In a few cases where there existed strong evidence of aid diversion and mismanagement, Congress imposed special arrangements. For example, corruption in Haiti led to legislative requirements in 1981 that most U.S. assistance to Haiti be disbursed through private voluntary organizations rather than through the Haitian government. Concern over the misuse of some foreign assistance funds in El Salvador led to legislation in 1984 and 1985 requiring that aid dollars be deposited in a separate account so that AID officials could monitor their use.

8/ Congressional Presentation, pp. 49-52.

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INTERNATIONAL AFFAIRS

The Federal Government bears the primary responsibility for protecting and advancing the interests of the United States and its people in international affairs. The funds for international affairs proposed in this budget are necessary to carry out that responsibility.

The administration proposes to reverse the sharp decreases in budget authority for many international affairs programs that have taken place over the past 2 years. For 1988, $19.1 billion in budget authority is requested and outlays of $15.2 billion are estimated. For 1987, supplemental appropriations totaling $1.3 billion in budget authority and $556 million in 1987 outlays are proposed. When enacted, total 1987 budget authority will be $18.0 billion, and 1987 outlays of $14.6 billion are estimated. For 1988, new direct loan obligations for international affairs are proposed to be $7.5 billion, and new guaranteed loan commitments are proposed to be $10.2 billion.

Foreign Aid.—Two budget subfunctions—international security assistance and international development and humanitarian assistance—comprise foreign aid.

International Security Assistance.—Security assistance programs are vital to the exercise of national security and foreign policy and serve to strengthen allied and friendly governments where the United States has special security concerns. These programs make it possible for other governments to strengthen their economies and to acquire and use modern military equipment necessary for their defense. Security assistance also helps ensure U.S. access to military bases and facilities overseas. Because of the importance of national security objectives, but in keeping with current budget requirements, 1988 budget authority of $9.4 billion is proposed. This is approximately the same as the 1987 proposed level, which includes a $0.8 billion supplemental to permit the achievement of essential security assistance goals. Outlays are estimated to be $7.7 billion in 1988.

Foreign Military Sales Credit.—This program provides financing for foreign governments to purchase U.S. military equipment, training, and design and construction services for their security needs. In the face of challenges to U.S. interests and economic difficulties in many parts of the world, the 1988 proposed program consists of only forgiven and concessional loans. For 1988, budget authority of $4.4 billion is requested and outlays of $3.0 billion are estimated. These figures reflect both direct loan programs and the loan activity of the Federal Financing Bank.

Reprinted from the Budget of the United States Government Fiscal Year 1988 supplement. p. 5-18--5-27

This year the budget also reflects the estimated impact of a new foreign military sales debt restructuring program that is being offered to countries with Federal Financing Bank loans. Under this program, debtor countries have the option of prepaying their loans without a premium, or refinancing their loans at current rates with the difference added as a balloon payment due at the end of the loan repayment period. The economic burden on allies, particularly developing countries, of loans at interest rates that are now considerably above market rates must be reduced lest it have the effect of nullifying the purpose for which these loans were made—to promote the international security of the United States and the recipient countries.

Military Assistance.—Providing the same types of articles and services as the foreign military sales credit program, these grants are for countries where the repayment of loans would impose an inappropriate economic burden. For 1988, budget authority of $1.3 billion is requested. Outlays are estimated to be $0.6 billion.

Economic Support Fund.—This account finances programs in over 50 countries; the largest portion goes to countries where there are special political and security concerns. Loans and grants provide general budget and balance of payments support to friendly governments and finance individual development projects where doing so enhances our ability to achieve important national security objectives. Aid to Egypt and Israel accounts for approximately half of the program. The proposed budget authority for 1988 is $3.6 billion, $0.2 billion for direct loans and the remainder for grants. Outlays are estimated to be $4.1 billion.

Other.—The budget authority requested in 1988 for security assistance includes $46 million for peacekeeping operations, $56 million for international military education and training, and $10 million for anti-terrorism assistance.

International Development and Humanitarian Assistance.—An important complement to security assistance is the achievement of international policy objectives through international development and humanitarian assistance programs. These programs are designed to encourage the expansion of a market-oriented international economic system and to help meet the development and humanitarian needs of developing countries. Budget authority requested for 1988 is $5.2 billion, a $400 million increase over 1987. Outlays for 1988 are estimated at $4.9 billion.

Multilateral Development Banks.—The United States contributes to the World Bank group of institutions and regional banks for Latin America, Asia, and Africa. These institutions provided more

NATIONAL NEED: CONDUCTING INTERNATIONAL RELATIONS

(Functional code 150; in millions of dollars)

Major missions and programs	1986 actual	Estimate			
		1987	1988	1989	1990
BUDGET AUTHORITY					
Foreign aid:					
International security assistance:					
Foreign military sales credit	4,947	4,240	4,421	4,499	4,573
Military assistance	798	1,161	1,330	1,353	1,375
Economic support fund	3,762	3,897	3,600	3,663	3,723
Other	95	98	112	107	108
Offsetting receipts	−58	−76	−111	−136	−198
Subtotal, International security assistance	9,543	9,320	9,352	9,486	9,582
International development and humanitarian assistance:					
Multilateral development banks	1,143	1,242	1,819	1,400	1,400
International organizations	261	237	194	200	206
Agency for International Development	2,026	2,144	2,192	2,199	2,238
P.L. 480 food aid	1,243	1,083	965	1,090	1,119
Refugee assistance	324	361	314	307	306
Other	220	293	269	263	269
Offsetting receipts	−457	−583	−568	−569	−573
Subtotal, International development and humanitarian assistance	4,760	4,777	5,185	4,890	4,964
Subtotal, Foreign aid	14,303	14,096	14,537	14,376	14,546
Conduct of foreign affairs:					
Administration of foreign affairs	2,445	2,093	2,655	2,653	2,704
International organizations and conferences	477	441	506	522	536
Other	81	82	89	109	105
Subtotal, Conduct of foreign affairs	3,003	2,616	3,250	3,285	3,345
Foreign information and exchange activities	958	1,013	1,147	1,214	1,260
International financial programs:					
Foreign military sales trust fund (net)	−3,034	412	241	−453	100
Other	1,514	....	....	....	....
Offsetting receipts	−87	−89	−90	−92	−94
Subtotal, International financial programs	−1,607	323	151	−545	6
Total, budget authority	**16,659**	**18,049**	**19,085**	**18,330**	**19,157**

than $22.5 billion in long-term loans and technical assistance in 1985 and promoted sound economic policies in recipient countries. Lending programs are funded through the direct contributions of members and through borrowing in world capital markets, backed by guaranteed repayment of that borrowing by member governments. Both are provided in accord with multi-year international agreements to replenish the resources of each bank.

NATIONAL NEED: CONDUCTING INTERNATIONAL RELATIONS

(Functional code 150; in millions of dollars)

Major missions and programs	1986 actual	Estimate			
		1987	1988	1989	1990
OUTLAYS					
Foreign aid:					
International security assistance:					
Foreign military sales credit	4,763	3,926	3,002	4,692	4,235
Military assistance	753	237	594	922	1,251
Economic support fund	4,684	4,374	4,097	4,219	4,122
Guarantee reserve fund	255	8	....	....	....
Other	102	101	113	106	108
Offsetting receipts	–58	–76	–111	–136	–198
Subtotal, International security assistance	10,499	8,570	7,695	9,802	9,518
International development and humanitarian assistance:					
Multilateral development banks	1,607	1,078	1,639	1,635	1,373
International organizations	231	259	229	240	247
Agency for International Development	1,990	2,038	2,103	2,154	2,189
P.L. 480 food aid	1,095	1,083	1,007	1,090	1,119
Refugee assistance	348	330	318	312	306
Other	154	150	172	170	174
Offsetting receipts	–457	–583	–568	–569	–573
Subtotal, International development and humanitarian assistance	4,968	4,355	4,899	5,031	4,835
Subtotal, Foreign aid	15,467	12,925	12,594	14,833	14,353
Conduct of foreign affairs:					
Administration of foreign affairs	1,717	2,181	2,395	2,452	2,622
International organizations and conferences	499	455	501	522	536
Other	64	96	91	101	107
Subtotal, Conduct of foreign affairs	2,280	2,733	2,987	3,075	3,265
Foreign information and exchange activities	907	1,032	1,114	1,140	1,184
International financial programs:					
Foreign military sales trust fund (net)	–1,016	500	200	100	100
Export-Import Bank	–1,167	–2,389	–1,564	–964	–891
Exchange stabilization fund	–772	–32	–31	–29	–28
Other	–1,460	–73	–1	38	36
Offsetting receipts	–87	–89	–90	–92	–94
Subtotal, International financial programs	–4,501	–2,083	–1,486	–948	–876
Total, outlays	**14,152**	**14,607**	**15,209**	**18,101**	**17,925**

To support international commitments to the multilateral development banks, budget authority of $293 million is requested in a 1987 supplemental and $1.8 billion for 1988. Approximately one-half of the proposed budget authority will be used to meet existing pledges to the International Development Association. The administration has also proposed a one-time subscription to the World Bank's Multilateral Investment Guarantee Agency, a new institution established to insure investment in developing countries against non-commercial risks. The remaining funds will be used to make authorized annual payments to the other multilateral banks.

International Organizations.—Voluntary contributions of $194 million in budget authority are proposed for several developmental, humanitarian and scientific programs carried out by the United Nations and other international organizations—$43 million less than the 1987 level. The administration believes that, useful as some of these programs may be, a higher priority must be afforded other foreign assistance activities accomplishing the same objectives.

Agency for International Development (AID).—AID carries out bilateral development assistance programs in more than 60 countries in Latin America, Africa and Asia. The agency also supports the overseas humanitarian relief and development programs of U.S. private and voluntary organizations and assists development-related research activities in U.S. universities. Proposed budget authority for AID programs for 1988 is $2.2 billion, approximately the same as for 1987. Included in this amount is a new $500 million development fund for Africa designed to allow AID greater flexibility in providing development assistance to that region. Principal objectives of bilateral development programs include supporting sound economic policies in recipient countries, using the private sector as a vehicle for economic growth, improving the capability of indigenous institutions in developing countries, and increasing the use of science and technology in development.

Public Law 480 Food Aid.—This program provides U.S. surplus agricultural commodities to foreign governments under either long term (up to 40 years) low interest rate (2 to 3 percent) loans or grants. Food aid commodities are limited to those declared by the Secretary of Agriculture as surplus to normal domestic and export needs. These surplus commodities include wheat, corn, rice, other coarse grains, and soybeans.

The U.S. agricultural sector benefits when surplus commodities are disposed of in a manner that does not displace commercial exports. Also, the food aid program serves U.S. objectives in promoting international security, agricultural export market development and economic assistance. Egypt, Morocco, El Salvador, Jamaica, Zaire, Pakistan and Bangladesh are major cooperating country recipients of U.S. food aid loans. These governments benefit by not having to repay the total loan immediately, thereby saving their scarce foreign exchange to import needed non-food goods and services beneficial to economic development.

Under the Title II grant program, food aid is targeted by the foreign governments and private and voluntary organizations mainly to needy children, pregnant women and refugees. India, Pakistan, Sudan, Mozambique, Haiti, and Guatemala are major recipients of this program, which annually delivers approximately 2 million tons of processed foods, wheat, and wheat flour.

The budget includes a request of $1.0 billion in 1988 budget authority. With declining commodity prices, a larger volume of commodities may be shipped for fewer dollars.

Refugee Assistance.—While there have been no major refugee emergencies this past year, the needs of existing refugee populations continue in many parts of the world. Budget authority of $314 million is proposed for assistance to refugees abroad, primarily in Africa, the Near East, Pakistan, and Southeast Asia, and for the admission of up to 55,000 refugees to the United States. This budget request continues United States leadership in international humanitarian programs to assist refugees. Additional funding for refugee assistance in the United States is discussed in the income security section of Part 5.

Conduct of Foreign Affairs.—Funds for this group of programs cover primarily the operating costs of the Department of State in carrying out diplomatic and consular activities with foreign governments and international organizations. Contributions assessed by international organizations of which the United States is a member are also included here. For 1988, $3.2 billion of budget authority is requested, and $3.0 billion in outlays are estimated.

Administration of Foreign Affairs.—To promote United States interests abroad, diplomatic and consular relations are maintained with foreign governments by means of 260 posts throughout the world. The overall request for 1988 budget authority is $2.7 billion with estimated outlays of $2.4 billion.

The administration's commitments to further United States interests abroad and to ensure that those interests may be pursued in a physically and technically secure environment are reflected in the 1988 request for State Department operations. The diplomatic security program remains a high priority. For diplomatic security construction, the request seeks continuation of the program levels authorized by the Congress, which will enable the Department to undertake nine priority embassy replacement projects. Requested funding for the salaries and expenses portion of the diplomatic security program will permit the continuation of ongoing residential and perimeter security programs while increasing high priority countermeasures and office equipment protection programs.

The request also seeks increases for the Department's diplomatic reporting capability as well as initiation of a program to improve proficiency in the "hard languages"—Arabic, Russian, Chinese, and

Japanese. In addition, the Department seeks increases in spending for its communications and information processing systems to improve its ability to transmit and store information.

International Organizations and Conferences.—For 1988, budget authority of $506 million is proposed for assessed contributions to international organizations, for international peacekeeping forces in the Middle East, and for international conferences. Though some international organizations fulfill important needs, the administration believes that those organizations must be managed efficiently and economically. Therefore, the administration is continuing to pursue a responsible budget policy for international organizations, a policy that assumes reductions in administrative costs and the elimination of duplicative, low priority, and obsolete activities.

In addition, enacted law requires that U.S. assessed contributions to the United Nations and its specialized agencies be limited to 20 percent of each organization's budget, unless it has adopted a voting system on budgetary matters under which each member's voting power is in direct proportion to its contributions. A total of $79 million in budget authority and outlays has been deducted from assessments by the United Nations and its affiliated agencies for 1988 in accordance with this provision. The UN General Assembly took an initial step toward reform in December 1986 by adopting a number of budgetary and administrative measures that, if implemented, could achieve significant gains in economy and efficiency. The United States will monitor the implementation of these measures in the coming year in order to ascertain their bearing on the law.

Foreign Information and Exchange Activities.—An important objective of this administration is to increase international understanding of American society and foreign policy. The United States Information Agency (USIA) seeks to do so through personal contacts, academic and leadership exchanges, Voice of America (VOA) radio broadcasting, distribution of books and periodicals, television programming, English language teaching, and the operation of libraries and cultural centers in 127 countries. For 1988, the administration proposes $942 million in budget authority for USIA, an increase of $95 million from 1987. The VOA multiyear modernization program totaling $1.3 billion includes funds for new transmitter facilities and modernization of equipment in existing facilities. The 1988 request of $90 million in budget authority for radio construction maintains strong administration support for VOA modernization while instituting a policy of not requesting funding for new transmitter site projects until acceptable agreements with host governments have been signed. When such agreements are concluded, the administration will request the necessary funding from the Congress. The request for USIA also provides increases for educational and cultural exchange programs, including additional Central American exchanges.

The Board for International Broadcasting provides grants to Radio Free Europe/Radio Liberty, Inc. (RFE/RL), which broadcasts in 22 languages to Eastern Europe and the Soviet Union. For 1988, $204 million of budget authority is requested for the Board. This includes $42 million for modernization of existing transmitter sites, which will complete the originally proposed modernization and refurbishment of RFE/RL facilities. Most of the operating budget increase is proposed to offset the decline in value of the dollar against the three foreign currencies which RFE/RL uses to pay for the bulk of its activities.

International Financial Programs.—To assist in the steady growth of the international economy, the United States conducts programs to improve the international financial system and to facilitate U.S. participation in world trade, including arms sales. For 1988, proposed budget authority is $151 million. Total net outlays for 1988 are estimated to be −$1.5 billion, because Export-Import Bank loan repayments are expected to exceed new loan commitments, and Export-Import Bank loan assets will continue to be sold.

Export-Import Bank.—The Export-Import Bank (Eximbank) administers a direct loan and guarantee program to promote U.S. export sales. The direct loan program offers loans generally below market rates, consistent with an international agreement that reduces but does not eliminate interest export subsidies.

In 1988, as part of overall Federal credit reform, the administration is proposing to appropriate the subsidies associated with Eximbank's direct loan and guarantee programs to reflect more accurately the cost to the U.S. economy of these programs. A continuation of the loan asset sales program involving loans with a face value of $1.2 billion in 1988 is also proposed.

A major loophole in existing subsidy reduction agreements is the use of highly concessional aid loans mixed with normal export credits. The administration has made the elimination of these mixed credit or tied-aid credits a major negotiating priority. The administration will continue to press for an international agreement that ends all officially subsidized export financing. Consistent with this objective, the administration is proposing an additional $200 million in budget authority for the tied-aid credit fund. This fund will be used to promote a negotiated end to the predatory export financing practices of foreign governments.

CREDIT PROGRAMS—INTERNATIONAL AFFAIRS

(In millions of dollars)

	1986 actual	Estimate			
		1987	1988	1989	1990
Direct loans:					
Foreign military sales credit:					
New obligations	4,967	4,040	4,421	4,499	4,573
Change in outstandings	2,979	568	−163	1,396	907
Outstandings	22,124	22,692	22,529	23,925	24,832
Economic support fund:					
New obligations	104	176	176	240	240
Change in outstandings	83	77	54	120	114
Outstandings	6,305	6,381	6,436	6,556	6,670
Development credit:					
New obligations	323	237	232	228	231
Change in outstandings	100	−82	−100	−225	−276
Outstandings	12,324	12,242	12,141	11,917	11,641
Public Law 480 food aid:					
New obligations	813	819	749	771	800
Change in outstandings	577	628	619	637	665
Outstandings	10,622	11,251	11,869	12,507	13,172
Export-Import Bank[1]:					
New obligations	578	900	1,000	900	900
Change in outstandings	−1,525	−3,681	−2,714	−975	−1,025
Outstandings	14,351	10,670	7,956	6,981	5,956
Other:					
New obligations	1,051	952	892	901	901
Change in outstandings	251	5	−4	*	*
Outstandings	1,431	1,436	1,432	1,432	1,432
Total, direct loans:					
New obligations	7,835	7,125	7,470	6,638	6,744
Change in outstandings	2,466	−2,485	−2,309	954	386
Outstandings	67,157	64,672	62,364	63,317	63,703
Guaranteed loans:					
Foreign military sales credit:					
Change in outstandings	−20	−20	−20	−20	−20
Outstandings	160	140	120	100	80
Development credit:					
New commitments	282	345	250	250	250
Change in outstandings	86	92	88	86	84
Outstandings	1,484	1,576	1,665	1,751	1,834
Export-Import Bank:					
New commitments	5,508	11,355	10,000	10,000	10,000
Change in outstandings	−341	703	678	−500	....
Outstandings	4,785	5,488	6,166	5,666	5,666
Total, guaranteed loans:					
New commitments	5,790	11,700	10,250	10,250	10,250
Change in outstandings	−276	775	746	−434	64
Outstandings	6,429	7,204	7,950	7,516	7,580
Total, new obligations and new commitments	**13,625**	**18,825**	**17,720**	**16,888**	**16,994**

*$500,000 or less.

[1] The obligation levels for 1989 and 1990 are not included in the total.

Tax Expenditures.—In an effort to encourage exports, a portion of the profits from the export sales of foreign sales corporations (FSCs) is not subject to tax. Also, tax expenditures occur when Americans working abroad are permitted to exclude substantial amounts of earned income and housing allowances from taxation. Tax expenditures resulting from FSCs and the foreign earned-income exclusion are an estimated $1.3 billion and $2.2 billion, respectively, for 1988. Additional estimated tax expenditures of $705 million, $55 million, and $100 million result from the source rules exception for inventory property sales, the interest allocation rules exception for certain nonfinancial institutions, and the deferral of income tax on the undistributed earnings of foreign corporations controlled by U.S. shareholders. Total tax expenditures for international affairs are estimated to be $4.4 billion in 1988. No changes are proposed for 1988.

PREPARED STATEMENT OF
THE HONORABLE ELLIOTT ABRAMS
ASSISTANT SECRETARY OF STATE FOR
INTER-AMERICAN AFFAIRS
BEFORE THE SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

FEBRUARY 25, 1987

Thank you for this opportunity to discuss with you our economic and military assistance request for Latin America and the Caribbean region for fiscal year 1988.

The President in his State of the Union address and the Secretary in appearances before several Congressional committees have placed great emphasis on the foreign affairs budget, in recognition of the serious consequences that deep cuts over the last two years have had on our ability to exert coherent and consistent foreign policy leadership. Despite budget concerns, dealing with our programs in a quantitative rather than a programmatic fashion does not serve the overall interests of the U.S. In reviewing our security assistance request, I hope this committee will focus on the programs as they relate to our foreign policy goals and not simply the dollar amounts involved. The amounts requested for our friends in the Western Hemisphere are in our view necessary to protect U.S. interests.

A key element of this Administration's foreign policy has been the recognition of the importance to our national security of our own hemisphere. The President specifically addressed the importance of the Central American issue recently in his State of the Union Address. In South America, the flow of illicit narcotics, especially cocaine, has a major impact on all our communities and the increasing links between drug traffickers and terrorists are ominous.

We cannot effectively deal with the challenges to our interests in other parts of the world if we are unable to cope with problems in nearby areas of great strategic importance. Our allies in Latin America do not always have the resources to provide simultaneously for their own security and the basic economic needs of their people. Because we know they must do both if they are to survive and grow, and if democracy is to be given a chance to flourish, we must help to make up the shortfall. Over the years we have made commitments to do exactly that - but the resources made available to us in fiscal years 1986 and 1987 are causing us to fall far short of those commitments.

We have also given great prominence in the past few years to the remarkable trend towards democracy taking place in Latin America and the Caribbean. The number of democratically elected governments has indeed grown. But it would be dangerous to infer from this fact that democratic government will automatically be a permanent institution in every new democracy. The fact is that, although the seedlings of democracy have appeared in several nations, the roots of the tree are not yet deep enough to protect it from being uprooted by violent storms, nor the trunk thick enough to withstand the chops of wayward axmen. Our assistance programs can help provide the protection this tree needs to reach maturity.

Without adequate economic aid to assist several of these democratic countries to recover and realize the economic betterment of their people, the odds for sustaining democracy will become much less favorable. Moreover, we firmly believe that we cannot afford the loss of our hemispheric markets tomorrow through failure to stimulate development of viable trading partners today.

FY 1987 Supplemental: Before I turn to the specifics of our request for FY 1988, let me say a few words about this year's funding. The assistance levels appropriated in the FY 1987 Continuing Resolution are insufficient to fund some of our most pressing needs. To address the most serious shortfalls the Administration is submitting a Supplemental request for this fiscal year. Providing an additional $300 million for the Central American democracies is of the utmost importance. The additional ESF and disaster relief funds will enable them to proceed with economic stabilization and reform. They will assist El Salvadoran reconstruction as that country struggles to recover from the earthquake of last October. Although our major request is for economic aid, we also believe an additional $40 million of military assistance is badly needed to sustain El Salvador against the marxist guerrillas, support Honduras in the face of the Nicaraguan arms buildup, and help consolidate democracy in Guatemala. We are also requesting an additional $10 million to support the fight against narcotics in the Andes. Bolivia in particular is ready to undertake a program of assistance to farmers who voluntarily eradicate coca crops, and we need additional resources to help support the transition to lawful economic activity in that nation.

The FY 1988 Requests: For FY 1988 we are requesting for Latin America and the Caribbean a total of $271.575 million in military assistance (257.5 MAP and 14.075 IMET) and $1,324 million in economic assistance ($700 million ESF, $401 million DA and $222.6 million PL-480). In recognition of the need for budget austerity, our request for economic assistance is down 20% from last year's request and our military assistance request is 24% less. I urge your support for this minimal request.

Let me turn to the subregions now, to describe for you what we have achieved so far, and the specifics of our proposals for FY 1988.

South America

The Andean nations of Bolivia, Colombia, Ecuador and Peru are making valiant efforts to deal with economic problems, leftist insurgencies and most of all illegal narcotics production and trafficking. Stemming the flow of narcotics into the United States is a major priority for all Americans. But this is a costly undertaking. You cannot just force farmers to stop growing their most rewarding crop without offering them economic alternatives. You cannot expect the governments of these countries to undertake the politically and economically risky initiative of launching major counter-narcotics programs without the economic resources to sustain them. And you cannot expect drug-traffickers and narcoterrorists to give up their very lucrative business without putting up a fight-- and in fact, they are working overtime to elude interdiction efforts and undermine democratic institutions by intimidation, corruption and violence. Thus, if we are serious about cutting down on drugs we must be prepared to use every resource at our command -- economic and military assistance as well as narcotics control funds.

Bolivia: President Paz Estenssoro has been especially courageous in his narcotics control and economic reform policies. Bolivia's cooperation with the U.S. military in fighting illicit drug trafficking, with operation Blast Furnace last year, is unprecedented in the history of international drug interdiction. We expect to sign an agreement in the next few days whereby the GOB will undertake to destroy all illegal coca production. MAP funds for Bolivia will be used to support military training and equipment, much of which is to be used by the Bolivian military to provide logistical support to the narcotics police. Our program is heavily weighted, however, in favor of economic assistance to encourage Bolivia to follow through on important economic reforms, to support domestic stability, and to improve living standards which are the lowest on the South American continent.

Colombia: Colombia faces the too frequently related evils of narcotics trafficking and a violent insurgency driven from the left. Colombian drug traffickers are among the most ruthless criminals in the world. The toll they have exacted on Colombian society has been heavy: one Minister of Justice assassinated, another recovering from his wounds, Supreme Court judges brutally murdered, prominent journalists and scores of policemen and other officials gunned down because of the firm stand they have taken against lawlessness and crime. Colombians are proving that the traffickers are not supermen, and that honest men and women can and will stand up to them.

Just recently, the Barco administration dramatically demonstrated its adherence to the US-Colombia Extradition Treaty by extraditing to the United States Carlos Lehder, one of the top traffickers in the world. Despite the high price paid, and still being paid, Colombia has some of the most productive anti-narcotics programs in the area.

The largest guerrilla group in Colombia, the Revolutionary Armed Forces of Colombia -- generally known by its Spanish acronym, FARC -- continues to abide generally by a ceasefire, but other insurgent groups do not. MAP funds for Colombia strengthen the government's anti-narcotics programs and at the same time assist it in dealing with the increasingly violent insurgents who have rejected the government's peace initiatives.

Ecuador: Ecuador is a strong supporter of U.S. military-economic goals in South America. Under President Febres Cordero decisive free market economic measures have been instituted which could serve as a model for the rest of Latin America. The $17.5 million requested in ESF will help maintain internal stability by helping meet the country's balance of payments needs and assist economic development projects. The military asssistance program will improve military training and provide required materiel to the armed forces. This will enable the GOE to maintain effective pressure against a small urban terrorist band, improve the pursuit of narcotics traffickers, and heighten the level of assistance Ecuador provides to the United States in anti-drug efforts.

Peru: For over a year, Peru has carried on a serious and successful campaign against narcotics traffickers. But this campaign draws on scarce resources. Both our military and economic assistance requests are essential if we are to achieve cooperation on the anti-narcotics front and improve our dialogue with Peru on the management of its economic and debt crises. By improving our overall relationship with Peru, this assistance will act to counter Soviet influence, particularly with the military.

Uruguay: In another South American democracy, Uruguay, President Sanguinetti is consolidating that country's return to democratic rule. He faces a number of hurdles in this effort, including the need to bolster the economy and redirect the military toward support for civilian rule. We are proposing a MAP program of $1.5 million which would be used to purchase a helicopter, truck parts, and maintenance support equipment. Equally important, this program would expand our access to key mid-level officers, and facilitate cooperation and mutual understanding between our armed forces.

The Caribbean

Our stake in peace and economic development in the Caribbean requires that we continue to demonstrate our long-term commitment to the strengthening of democratic institutions in the region and willingness to make a major contribution to their development. The Grenada experience has demonstrated that we must not neglect our friends in this area. Our programs consist primarily of economic assistance because of adverse developments in markets for the region's principal exports, heavy debt burdens, and internal economic imbalances.

Haiti: Our request consists mainly of economic assistance. The primary use of ESF will be to finance balance of payments support for the economic reform program. Some funds will also be used to develop activities with non-governmental organizations and to improve the Haitian public sector's ability to attract and support private-sector investment. By FY 1988 Haiti plans to have a newly-elected civilian president, and our small proposed program of military assistance will enhance military support for democracy, help maintain internal security against threats from the right or left, and permit greater anti-narcotics efforts.

Jamaica: The economic situation calls for a firm commitment on our part to support the essential but politically difficult adjustment programs the country is undertaking to correct the severe imbalances arising in large part from the drastic declines in bauxite/alumina exports and other traditional exports. ESF funds will help to stimulate the recovery and development of this valuable trading partner and complement the tremendous efforts Jamaica is making to combat narcotics trafficking. The modest military assistance program will continue the ongoing modernization of the Jamaican Defense Force and contribute substantially to improving coastal patrol capabilities and overall force mobility, which are essential to effective anti-narcotics programs.

The Dominican Republic, the populous democracy in the Caribbean, is facing serious economic problems. Reductions in the U.S. sugar quota and lower world prices for sugar and other primary products have led to a large trade deficit and a serious shortage of foreign exchange. By helping to bridge the foreign exchange shortfall during the economic adjustment period, U.S. assistance allows the continued flow of necessary imports. The small military assistance program will provide needed supplies and training to further professionalize and depoliticize the Dominican armed forces.

Eastern Caribbean: Our assistance to these island nations will continue to support the Regional Security System, especially the joint training program we have established with the United Kingdom. ESF funds will be geared toward infrastructure development, diversification away from traditional agricultural exports and attracting new private investment.

Central America

Nearly two thirds of the funds we are requesting will go to Central America - $216 million in military assistance and $826.6 million in economic assistance. As usual, by far the larger portion of our request is for economic aid -- more than four times the request for military assistance. The rationale for devoting such a large percentage of our resources to this region is clear. The problems in Central America require patient, sustained U.S. efforts. Over the past three years, with the help of Congress, we have begun to implement the comprehensive program recommended by the National Bipartisan Commission on Central America. We believe this program will be successful, because it addresses all of the causes of the conflict currently gripping Central America. The policy we are implementing supports social and economic reform to allow elements of society traditionally unable to benefit from eonomic growth to participate in Central America's future. It supports defense of democratically-elected governments from internal and external subversion. It supports the strengthening of judicial systems, the backbone of a democracy. And it supports the maintenance of a military capable of meeting internal or external threats, yet supportive of the democratic system. The amounts of financial, economic and military assistance requested are needed to sustain this strategy. At a time when the Soviet bloc is increasing its efforts, when the Soviet bloc tonnage of military equipment delivered to Nicaragua has reached the unprecedented level of 23,000 metric tons in 1986, we must meet the challenge to democracy.

This year's request will support a record of major accomplishments that would have been difficult if not impossible without our assistance. The severe economic slide in Central America that was evident in 1980-83 has been arrested and reversed in every country in the region. Private capital has begun to return, and private investment has begun to recover. Non-traditional exports are expanding in most countries, dramatically in Costa Rica. Infant mortality rates are dropping more rapidly than anticipated and primary school enrollments are increasing.

There has been a fundamental change in the attitudes of the armed forces toward human rights, particularly in El Salvador and Guatemala. Civilian control of the armed forces in El Salvador is now a fact. Furthermore, battlefield performance has improved. The guerrillas now generally operate secretly in small units against economic targets rather than attempting direct conflict with the military. Guerrilla strength is believed to have fallen to about 6,000 from a high of 9,000-11,000. In Guatemala, the military ensured a fair, open political campaign and election in 1985. A code of military conduct has improved civil-military relations to the point that the rural civilian population now participates in the defense of their villages. The Honduran armed forces have successfully used U.S. provided training and equipment to detect and defeat terrorist and guerrilla elements that have surfaced sporadically since 1982.

El Salvador: Our security assistance has and will continue to help the government of President Duarte defend itself against a communist insurgency supported by Nicaragua, Cuba, and the Soviet bloc. The vast majority of the Salvadoran people have rejected the insurgents and demonstrated at the ballot box their support for President Duarte's appeal to addressing the problems of that nation through democratic processes. Our ESF program of $200 million is designed to counter insurgent destruction of production and economic infrastructure; to provide emergency assistance to families displaced by the insurgents; to maintain employment and productivity; and to increase economic growth. The military assistance program provides the equipment, ammunition, and training needed by government forces to foreclose military victory to the insurgents and bring them into the democratic process. The program will continue the development of an efficient, professional military force respectful of human rights and the democratic process.

Honduras: Honduras is the key player in U.S. and regional efforts to promote democracy and economic development in Central America. In March and December 1986, Sandinista military agression escalated with major incursions into Honduran territory. In addition, the Nicaraguan government has attempted to create insurgencies in Honduras on at least two occasions in the last three years. Our request for $80 million in MAP funds will enhance the Honduran armed forces' ability to deter Nicaraguan aggression and to carry out their defense responsibilities.

In the shadow of the Sandinista threat, the Honduran people are building and strengthening democratic institutions. Vigorously contested elections in 1981 and 1985 brought civilian governments back to power in Honduras. Continued U.S. support for economic policy adjustments will help President Azcona make strides toward achieving long-term, stable economic growth, which fosters democracy and makes insurgent alternatives unappealing. $100 million in ESF is needed to support President Azcona's ambitious and so far successful economic stabilization program.

Guatemala: For decades Guatemala has been fighting an insurgency. A poor country ruled for almost 30 years by military governments, it is now a struggling democracy. The government of Vinicio Cerezo has made steady progress in reducing human rights abuses, promoting economic growth, and creating the conditions for greater citizen participation in government. It is in our national interest that the civilian government complete its term in office and make headway in solving the problems it faces. The $80 million ESF program will help the government address the basic socio-economic inequalities that fed the insurgency and help stabilize Guatemala's international financial accounts while continuing a highly effective economic policy reform dialogue. We are also requesting $7 million MAP which will be used to improve the ground and air mobility of the Guatemalan forces.

Costa Rica: Our main objective in Costa Rica is the maintenance of a free, stable, democratic society. Substantial economic assistance is necessary to help Costa Rica adjust to the effects of the recent worldwide recession and severe deterioration of its terms of trade. The $90 million ESF request will help finance importation of U.S. machinery, raw materials and spare parts needed for production, employment, and exports. Limited military assistance ($2 million) to Costa Rica's small security forces is also needed to enable the GOCR to police its borders and counter the internal security threat posed by continuing Nicaraguan trouble-making.

Panama: Our proposed military assistance of $3.0 million continues our treaty-related commitment to help the PDF prepare for its future role of defending the canal. Our long-term goal is the uninterrupted, secure use of the canal. To help in this, we seek a professional, apolitical military, friendly to the United States. In 1986, partly in response to our economic assistance covenants, Panama passed substantial reform legislation setting the stage for a program of economic adjustment and greater reliance on market forces. To help the government achieve the goals of this program we are asking for $10 million ESF.

Belize: Belize is a peaceful, stable democracy in a turbulent region. Our policy goals include preserving Belize's democratic institutions, suppressing narcotics production and trafficking, and creating sustainable economic growth. We have proposed $2 million in ESF to help sustain the economic stabilization thus far achieved. Our modest military assistance ($1 million MAP and $70,000 IMET) is designed to provide support to the Belize Defense Force and complements British training efforts. Our assistance also aids Belize's efforts to combat drug production and trafficking.

Regional Programs

ROCAP and LAC Regional: In addition to the country specific programs, there are activities such as institution building and civic training that are carried out through either the LAC Regional or Central America Regional program (ROCAP). For FY 88 we are asking $61 million for ROCAP and $32 million for the LAC Regional programs.

One of the major programs to which these funds will be devoted is the Administration of Justice program, which supports national initiatives to carry out judicial reforms, including training for judges, prosecutors, and other legal personnel; to improve court administration; to reproduce and disseminate legal materials; to train criminal investigators; to modernize law codes and strengthen case reporting; and to support local bar associations. Other funds for democratic development are used to improve legislative capacity; provide press training; support the development of electoral institutions; and improve civil-military relations. In addition, the LAC regional account provides funding to the American Institute for Free Labor Development, and to other projects which provide special training. Finally, ROCAP supports a number of activities in agriculture, education, health and industry designed to encourage long-term growth.

IMET: IMET funded training is a particularly important aspect of our military assistance programs. Throughout this hemisphere we rely heavily on the special people-to-people relationships that have developed as a result of IMET training. Many former IMET students now occupy positions of high responsibility in their own countries, and our access to them is directly attributable to relationships and viewpoints established during the time they studied in the United States. IMET training is not just a professional military training program, it is also a kind of cultural exchange program because it gives foreign and American officers exposure to each other's ideas, beliefs and customs and fosters mutual understanding. IMET programs are especially important to the development and continuation of good military-to-military relationships with countries where we do not have large military assistance programs. Mexico and Venezuela are examples of countries where our access to the military results and depends largely on IMET programs. Full funding of our IMET programs will benefit all of us as well as the next generation.

Conclusion

In designating 1987 as the "National Year of the Americas" Congress and the President have recognized the special relationship that we have and want to maintain with Latin American and Caribbean nations. To put it plainly, these countries are our neighbors. It would be inconsistent for us as a nation to proclaim a year dedicated to the renewal of mutual understanding, and at the same time refuse to provide the same neighbors we are singling out for recognition with the resources they need to meet the objectives we agree are as essential to our future as theirs.

As part of the National Year of the Americas, public and private organizations throughout the hemisphere are planning special activities to celebrate the achievements we have made together and to explore ways in which we can continue to assist each other and develop better relationships. In our own country, in August of this year, twenty some odd nations from all over our hemisphere will gather in Indianapolis for the tenth Pan American games. This is an event which participants and spectators agree leaves a lasting impression of goodwill, and contributes to friendships whose value over time is incalculable. Let us not forget that the actions we take as a government also leave lasting impressions. An unwillingness to stand by our neighbors and friends when they need our assistance also has incalculable long-term effects. Congress can make a meaningful contribution to this Year of the Americas by acting positively on our assistance request. I urge you to provide full funding for the programs we have outlined. They are necessary to sustain democracy, to expand economic and social reforms and to protect our common security interests.

Reprinted from Prepared statement of Dwight A. Ink, Assistant Administrator, Bureau for Latin America and the Caribbean, Before the Subcommittee on Western Hemisphere Affairs, Committee on Foreign Affairs, U.S. House of Representatives, Washington, D. C., Feb. 25, 1987. p. 32-36.

FY 1987 SUPPLEMENTAL REQUEST

To implement more fully our strategy in the LAC region, A.I.D. is requesting FY 1987 supplemental appropriations of $310 million. Of this amount, $100 million in Disaster Assistance for El Salvador and $200 million in ESF resources for four Central American countries (Costa Rica, El Salvador, Guatemala, and Honduras) will enable us to approach the annual level of assistance targeted for the region under the Central America Initiative. The remaining $10 million is for ESF resources to support development activities related to narcotics control in the region, primarily in Bolivia, which is taking courageous actions to curtail narcotics trafficking.

FY 1988 PROGRAM SUMMARY

In recognition of the necessity for budget austerity, we have sharply pared our request for Fiscal Year 1988. This budget is twenty percent below our request for Latin America and the Caribbean in FY 1987. A.I.D. is requesting economic assistance totalling $1,324.1 million for the Latin American and Caribbean region as a whole, including:

-- $700.0 million in Economic Support Funds;

-- $401.5 million in Development Assistance; and

-- $222.6 million in P.L.-480 commodities.

By sub-region, the breakdown is:

-- Central America:	$826.6 million;
-- The Caribbean:	$307.7 million;
-- South America:	$157.9 million; and
-- Regional Programs:	$ 32.0 million.

To maintain progress toward NBCCA goals in Central America, we are requesting $502 million in Economic Support Funds, $230.1 million in Development Assistance and $94 million in PL 480 commodities. For DA and PL 480, we are requesting less than our actual FY 1987 estimated level.

For ESF, the request is $87 million more than current FY 1987 funding, but $113 million less than the level including the supplemental request. I would also add that our request for the region is substantially below the FY 1988 authorization level. The ESF levels requested for El Salvador, Guatemala, Honduras and Panama are needed to cushion the effects of stabilization, and to support policy reforms essential to lay the basis for sustained longer-term growth. Local currency generated from Economic Support Funds and PL 480 Title I sales will also support programs in small farmer agriculture, land reform, education, health, and other areas that spread the benefits of this growth. We are proposing to continue the EXIM-administered Trade Credit Insurance Program at $200 million.

For the Caribbean we are requesting $135 million in Economic Support Funds, $91.6 million of DA and $81 million in PL 480 commodities. Again, the DA and PL 480 requests are below the actual FY 1987 estimated level; for ESF, we request an increase of $41.6 million over FY 1987. Haiti, which is in a critical stage in its political and economic transition, will receive 28.5 % of all economic assistance proposed for the Caribbean. The Dominican Republic and Jamaica are suffering sharp ESF cuts in FY 1987 as a result of the combination of budget reductions and earmarks for other programs. We propose partially to restore ESF levels in these two neighboring countries for FY 1988, although in both cases they remain below the FY 1986 ESF levels.

For South America, we are requesting $57 million in ESF, $53.8 million in DA and $47 million in PL 480 commodities. The most significant change we are proposing is an increase in ESF to $30 million for Bolivia, which has been cooperating closely with the United States on narcotics control and has undertaken difficult economic reforms.

This proposed budget does not contain any significant new initiatives. I believe that the course we have followed over the past several years continues to be responsive to the needs of the region and to our mandate from Congress. I should, however, bring to your attention a shift in emphasis that is beginning to be felt in our program, consistent with the phasing of our approach to the region's deep economic and social problems. Over the past several years, we have placed heaviest emphasis on economic stabilization and creation of the underlying conditions for satisfactory economic growth. Much of this groundwork has now been laid, and the focus of our efforts is moving increasingly toward assuring that growth can be both self-sustaining and of direct benefit to the poorest groups. Thus, we will be more concerned with the sectoral issues in education, health, agriculture to assure that the patterns of investment and growth are those that most widely distribute the benefits to society.

Given the economic and political conditions internal and external to the LAC region, which I described earlier in this presentation, levels of ESF assistance must remain high in FY 1988 to permit acceptable progress toward accomplishing our goals of economic stabilization, policy reforms leading to rapid and sustained long-term growth, a wider sharing of the benefits of growth, and the continued strengthening of democratic institutions and traditions. We will also need adequate funding in the Section 106 account to support our strategy of strengthening the private sector, which we believe is essential for the region's economic recovery and for providing the jobs which are critical for enabling families to meet their basic needs of food, health, and shelter. I would like to say, too, that our ability to accomplish our goals would be made easier by a reduction in Congressional earmarks.

CLOSING REMARKS

Mr. Chairman, U.S. economic assistance to the LAC countries has played a major role in helping to halt a sharp decline in economic activity and get a broad-based economic recovery under way. The revival of productive activity and the additional jobs it has provided have helped to create an environment in which democratic institutions can have a chance to take root in a number of countries where this has not been possible for many years.

It is essential to U.S. interests that we continue to adequately support the consolidation of democratic institutions and traditions in the LAC region, and to make possible a stronger and sustained economic recovery that permits countries to better address the needs of their citizens.

The cost of the proposed FY 1988 U.S. economic assistance program for the LAC region amounts to a mere one-tenth of one percent of the total U.S. government budget request. That is a small contribution for helping people in neighboring countries meet the basic essentials of life and for protecting our security interests. None of us would like to live with the much ~~higher~~ costs we will face later if we fail to protect those interests today.

Thank you.

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U.S. BILATERAL ECONOMIC AND MILITARY ASSISTANCE
TO LATIN AMERICA AND THE CARIBBEAN
FISCAL YEARS 1946 TO 1987 *

Methodological Introduction

Data Sources

The following data are compiled from CRS' Foreign Aid Data Base. These data are taken from computer tapes developed by the Agency for International Development. The data are comparable to those contained in AID's yearly publication entitled "U.S. Overseas Loans and Grants, and Assistance From International Organizations, Obligations and Loan Authorizations." Only direct, bilateral U.S. assistance to the region is reported. Assistance from multilateral institutions, such as the Inter-American Development Bank, the World Bank, and UN agencies, to which the United States makes substantial contributions, is not included.

Reporting by Obligations

The data are reported in terms of obligations (i.e., legal commitments of funds through agreements with countries) rather than disbursements.

Fiscal Year Reporting and Program Totals

Aid levels are reported for fiscal years 1946 through 1987, excluding any funds that may be approved in the FY 1987 Supplemental Appropriation. Since the levels of aid in the early years were quite low, assistance levels were combined into two periods, 1946-51 and 1952-60, and were reported on an average per year basis, so that the data would be comparable to the other years. However, the totals at the bottom of the page reflect absolute totals for each type of aid. The 1976 TQ or transitional quarter should not be compared to the other years since it accounts for a 3-month period when the beginning of the U.S. fiscal year changed from June 1 to October 1.

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* Prepared by Dianne E. Rennack, with assistance from K. Larry Storrs, Foreign Affairs and National Defense Division, Congressional Research Service, March 20, 1987.

Reporting by Program

U.S. assistance is reported in the following standard categories.

Development Assistance. Project-oriented assistance emphasizes long-term development objectives in such areas as agriculture; population planning; health, education, and human resources; energy; and selected activities.

Food Aid. Public Law 480, "Food for Peace" programs provide surplus agricultural commodities on a low-interest loan basis (Titles I and III) and on a grant basis to meet emergency and humanitarian requirements (Title II).

Economic Support Fund (ESF). These are primarily quick disbursing, balance-of-payments support funds provided for security-related reasons. While ESF is included in Security Assistance, the aid is economic in nature, is administered by AID, and in some cases finances development projects.

Other Economic Assistance. This covers Peace Corps, Narcotics Control, Migration and Refugee Assistance, Inter-American Foundation, and other miscellaneous economic aid programs.

Military Aid. This includes Military Assistance Program (MAP) grants, Foreign Military Sales (FMS) loans, International Military Education Training (IMET), and transfers of excess defense stocks.

The executive branch regularly classifies Development Assistance, Food Aid, Economic Support Funds, and Other Economic Aid, taken together, as "Economic Assistance."

Reporting by Country and Regional Programs

Assistance levels are reported by country in most cases, but assistance is also reported for regional programs where aid is provided for region-wide programs. The major examples are "Latin American Regional Program," "Eastern Caribbean Regional Program," "Regional Office for Central America and Panama (ROCAP)," and "Central American Regional Program." Most of the aid to the Eastern Caribbean mini-states is provided through the Eastern Caribbean Regional Program, and very small amounts of aid are reported under country accounts. As a result, the amounts listed for Barbados and Grenada should not be taken as the total assistance provided.

Reporting Assistance to the Latin America and Caribbean Region

The first page of the report provides data on the total assistance to the broadly defined Latin America and Caribbean Region for fiscal years 1946 through 1985. This table compares U.S. assistance to the region to the total amount of assistance provided worldwide by the United States.

U.S. FOREIGN ASSISTANCE TO LATIN AMERICA AND CARIBBEAN
(FY1946-1987)
(in current $ millions)

Year	Amount	U.S. Aid To All Countries	% U.S. Aid To All Countries
1946	29.60	2,307.90	1.28
1947	27.70	6,558.70	.42
1948	40.90	2,948.70	1.39
1949	26.20	7,971.10	.33
1950	27.80	5,759.59	.48
1951	17.40	7,095.36	.25
1952	72.81	6,545.02	1.11
1953	130.50	4,643.51	2.81
1954	67.56	4,413.19	1.53
1955	117.97	3,797.73	3.11
1956	253.78	4,465.85	5.68
1957	324.59	4,409.48	7.36
1958	211.41	3,657.92	5.78
1959	227.30	4,407.75	5.16
1960	226.38	4,764.21	4.75
1961	523.56	4,887.73	10.71
1962	994.99	5,843.54	17.03
1963	960.85	5,566.45	17.26
1964	1,095.11	4,690.24	23.35
1965	915.46	4,639.56	19.73
1966	1,019.05	6,095.38	16.72
1967	761.84	5,223.43	14.59
1968	840.18	5,894.74	14.25
1969	485.42	5,709.40	8.50
1970	633.53	5,631.66	11.25
1971	543.30	7,164.58	7.58
1972	574.15	8,341.75	6.88
1973	523.06	8,107.39	6.45
1974	486.54	7,045.62	6.91
1975	583.57	5,355.08	10.90
1976	560.09	5,645.35	9.92
1976TQ	139.52	1,999.36	6.98
1977	398.18	5,892.97	6.76
1978	463.78	6,624.48	7.00
1979	480.29	10,934.58	4.39
1980	519.33	6,668.85	7.79
1981	670.45	7,892.15	8.50
1982	990.54	9,280.75	10.67
1983	1,324.61	11,027.61	12.01
1984	1,575.86	12,289.59	12.82
1985	2,161.82	14,244.29	15.18
Total	22,026.96	256,442.54	8.59

ARGENTINA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	2.91	2.02	--	--	.03	4.96
1961	6.90	--	--	--	3.90	10.80
1962	22.00	--	--	5.00	29.10	56.10
1963	79.70	--	20.00	30.00	1.46	131.16
1964	9.60	--	--	--	10.08	19.68
1965	1.80	--	--	3.50	16.54	21.84
1966	1.70	--	--	5.00	27.43	34.13
1967	1.60	--	--	--	15.85	17.45
1968	2.80	--	--	--	11.43	14.23
1969	1.90	--	--	--	11.67	13.57
1970	1.00	--	--	--	.59	1.59
1971	.50	--	--	--	16.38	16.88
1972	--	--	--	--	20.61	20.61
1973	--	--	--	--	12.04	12.04
1974	--	--	--	--	22.98	22.98
1975	--	--	--	.10	30.10	30.20
1976	--	--	--	--	34.40	34.40
1976TQ	--	--	--	--	.10	.10
1977	--	--	--	.11	.72	.83
1978	--	--	--	--	--	--
1979	.05	--	--	.02	--	.07
1980	--	--	--	--	--	--
1981	--	--	--	--	--	--
1982	--	--	--	.06	--	.06
1983	--	--	--	.04	--	.04
1984	.04	--	--	.09	--	.13
1985	--	--	--	--	--	--
1986	--	--	--	--	--	--
1987	--	--	--	--	.01	.01
Total	155.79	18.20	20.00	43.92	265.66	503.57

BAHAMAS
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	--	.03	--	--	--	.03
1961	--	--	--	--	--	--
1962	--	--	--	--	--	--
1963	--	--	--	--	--	--
1964	--	--	--	--	--	--
1965	--	--	--	--	--	--
1966	--	--	--	--	--	--
1967	--	--	--	--	--	--
1968	--	--	--	--	--	--
1969	--	--	--	--	--	--
1970	--	--	--	--	--	--
1971	--	--	--	--	--	--
1972	--	--	--	--	--	--
1973	--	--	--	--	--	--
1974	--	--	--	--	--	--
1975	--	--	--	--	--	--
1976	--	--	--	--	--	--
1976TQ	--	--	--	--	--	--
1977	--	--	--	--	--	--
1978	--	--	--	--	--	--
1979	--	--	--	--	--	--
1980	--	--	--	--	--	--
1981	--	--	--	--	--	--
1982	--	--	--	--	--	--
1983	--	--	--	--	--	--
1984	--	--	--	.02	--	.02
1985	--	--	--	--	.04	.04
1986	--	--	--	--	.05	.05
1987	--	--	--	--	.14	.14
Total	--	.30	--	.02	.23	.55

BARBADOS
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	--	--	--	--	--	--
1961	--	--	--	--	--	--
1962	--	--	--	--	--	--
1963	--	--	--	--	--	--
1964	--	--	--	--	--	--
1965	--	--	--	--	--	--
1966	--	--	--	--	--	--
1967	--	.10	--	--	--	.10
1968	--	--	--	--	--	--
1969	--	--	--	--	--	--
1970	--	--	--	--	--	--
1971	--	.60	--	--	--	.60
1972	--	--	--	--	--	--
1973	--	--	--	.30	--	.30
1974	--	--	--	.20	--	.20
1975	--	--	--	--	--	--
1976	--	.10	--	.10	--	.20
1976TQ	--	--	--	--	--	--
1977	--	.17	--	.56	--	.73
1978	--	.09	--	.48	--	.57
1979	--	.07	--	.22	.01	.30
1980	--	.15	--	.12	.06	.33
1981	--	.05	--	.27	.05	.37
1982	--	.05	--	--	.07	.12
1983	--	--	--	--	--	--
1984	--	--	--	.06	.07	.13
1985	--	--	--	.04	.07	.11
1986	--	--	--	--	--	--
1987	--	--	--	--	--	--
Total	--	1.38	--	2.35	.33	4.06

BELIZE
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	.04	.09	--	--	--	.13
1961	.10	.10	--	--	--	.20
1962	.50	.30	--	.10	--	.90
1963	.10	.30	--	.20	--	.60
1964	.40	.40	--	.20	--	1.00
1965	--	.20	--	.30	--	.50
1966	--	.10	--	.40	--	.50
1967	--	.10	--	.20	--	.30
1968	--	.10	--	.20	--	.30
1969	--	.10	--	.20	--	.30
1970	--	--	--	.20	--	.20
1971	--	.10	--	.20	--	.30
1972	--	.20	--	.20	--	.40
1973	--	.10	--	.20	--	.30
1974	--	--	--	.30	--	.30
1975	--	--	--	.30	--	.30
1976	--	--	--	.30	--	.30
1976TQ	--	--	--	.10	--	.10
1977	--	--	--	.50	--	.50
1978	--	--	--	.56	--	.56
1979	--	--	--	.75	--	.75
1980	--	--	--	.83	--	.83
1981	--	--	--	1.00	--	1.00
1982	--	--	--	.92	.03	.95
1983	6.70	--	10.00	1.11	.07	17.88
1984	3.87	--	--	1.55	.55	5.97
1985	8.50	--	14.00	2.73	.60	25.83
1986	6.85	--	1.91	2.36	.55	11.68
1987	7.30	--	2.25	2.35	.58	12.48
Total	34.72	2.90	28.17	18.26	2.38	86.43

BOLIVIA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.43	--	.43
1952-60 (av./yr.)	4.41	2.62	10.22	.89	.08	18.23
1961	5.20	2.80	22.70	--	1.75	32.45
1962	13.20	3.40	19.10	.90	2.40	39.00
1963	25.90	16.10	9.90	11.10	4.96	67.96
1964	48.20	13.40	12.30	3.30	2.85	80.05
1965	4.60	3.90	4.80	5.50	2.50	21.30
1966	25.20	6.30	3.20	2.60	2.86	40.16
1967	15.10	1.50	.40	2.20	3.72	22.92
1968	3.60	8.30	5.00	1.70	2.45	21.05
1969	10.60	9.40	--	1.50	1.95	23.45
1970	3.00	3.60	--	1.40	1.49	9.49
1971	3.70	6.90	--	1.10	2.51	14.21
1972	53.60	4.40	2.00	--	6.03	66.03
1973	17.00	10.30	--	--	4.84	32.14
1974	38.50	8.30	--	.30	7.99	55.09
1975	20.10	5.10	--	.60	7.51	33.31
1976	22.40	6.20	--	.70	4.66	33.96
1976TQ	1.80	1.20	--	.20	10.20	13.40
1977	35.79	6.68	--	3.08	3.11	48.66
1978	34.29	16.51	--	2.36	.86	54.02
1979	28.90	18.98	--	3.20	6.71	57.79
1980	4.51	24.74	--	.84	.30	30.39
1981	2.45	9.53	--	.75	--	12.73
1982	2.12	16.40	--	1.19	--	19.71
1983	11.38	49.19	--	2.43	--	63.00
1984	52.35	22.07	--	3.61	.12	78.15
1985	18.38	29.50	--	2.73	3.36	53.97
1986	24.96	32.18	7.18	3.88	1.58	69.78
1987	20.10	30.29	15.00	12.20	2.40	79.99
Total	586.63	390.77	193.58	79.97	89.86	1,340.80

BRAZIL
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	3.78	--	3.78
1952-60 (av./yr.)	5.04	17.41	--	2.50	22.97	47.93
1961	7.50	84.70	--	--	26.76	118.96
1962	85.10	72.60	--	47.90	39.37	244.97
1963	61.00	47.90	25.50	6.90	8.23	149.53
1964	129.50	150.90	50.00	6.50	34.90	371.80
1965	234.90	24.60	--	11.30	13.48	284.28
1966	243.70	79.10	--	6.20	33.81	362.81
1967	214.90	21.60	--	3.50	33.50	273.50
1968	193.90	82.90	--	3.90	36.25	316.95
1969	12.50	10.20	--	6.50	.75	29.95
1970	88.10	62.40	--	3.50	.78	154.78
1971	79.40	35.10	--	3.10	11.99	129.59
1972	12.10	5.70	--	3.20	20.67	41.67
1973	40.70	9.60	--	3.50	17.56	71.36
1974	5.00	6.20	--	6.00	52.52	69.72
1975	3.10	8.40	--	3.20	65.27	79.97
1976	.90	.70	--	2.40	44.65	48.65
1976TQ	--	1.50	--	.50	.10	2.10
1977	.46	1.26	--	2.48	.06	4.26
1978	--	.07	--	1.97	--	2.04
1979	--	.58	--	1.47	--	2.05
1980	--	1.37	--	.97	--	2.34
1981	--	.55	--	.50	--	1.05
1982	.06	.34	--	.30	--	.70
1983	--	.08	--	.25	--	.33
1984	--	.02	--	.01	--	.03
1985	--	--	--	.75	--	.75
1986	--	--	--	.69	--	.69
1987	--	--	--	1.50	.01	1.51
Total	1,458.22	865.07	75.50	174.19	647.43	3,220.41

CENTRAL AMERICAN REGIONAL PROGRAM
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	--	--	--	--	--	--
1961	--	--	--	--	--	--
1962	--	--	--	--	--	--
1963	--	--	--	--	--	--
1964	--	--	--	--	--	--
1965	--	--	--	--	--	--
1966	--	--	--	--	--	--
1967	--	--	--	--	--	--
1968	--	--	--	--	--	--
1969	--	--	--	--	--	--
1970	--	--	--	--	--	--
1971	--	--	--	--	--	--
1972	--	--	--	--	--	--
1973	--	--	--	--	--	--
1974	--	--	--	--	--	--
1975	--	--	--	--	--	--
1976	--	--	--	--	--	--
1976TQ	--	--	--	--	--	--
1977	--	--	--	--	--	--
1978	--	--	--	--	--	--
1979	--	--	--	--	--	--
1980	--	--	--	--	--	--
1981	--	--	--	--	--	--
1982	--	--	--	--	--	--
1983	--	--	--	--	--	--
1984	--	--	--	--	--	--
1985*	27.55	--	27.10	--	--	54.65
1986	29.45	--	42.23	--	--	71.68
1987	17.29	--	7.83	--	--	25.12
Total	74.28	--	77.16	--	--	151.44

* Fiscal year 1985 was the first year of operation of the Central American Regional Program.

CHILE
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.85	--	.85
1952-60 (av./yr.)	5.14	7.42	--	--	5.97	18.53
1961	31.20	27.40	--	.10	17.33	76.03
1962	142.70	6.60	--	16.20	15.95	181.45
1963	41.30	22.00	--	5.50	25.22	94.02
1964	78.90	26.90	--	6.00	9.44	121.24
1965	99.50	14.20	--	11.70	10.45	135.85
1966	93.20	14.40	--	3.70	10.35	121.65
1967	15.50	7.90	--	2.40	4.34	30.14
1968	57.90	23.00	--	2.00	7.89	90.79
1969	35.40	14.90	--	1.20	11.74	63.24
1970	18.00	7.20	--	1.10	.85	27.15
1971	1.50	6.30	--	.80	5.69	14.29
1972	1.00	5.90	--	.50	12.27	19.67
1973	.80	2.50	--	.50	15.00	18.80
1974	5.30	3.20	--	1.30	16.14	25.94
1975	31.30	62.40	--	1.80	.62	96.12
1976	20.60	56.80	--	.90	--	78.30
1976TQ	.60	4.30	--	.20	--	5.10
1977	.57	31.53	--	1.15	--	33.25
1978	.16	5.55	--	1.29	--	7.00
1979	.27	8.96	--	4.21	--	13.44
1980	.13	4.96	--	5.09	--	10.18
1981	.09	7.70	--	4.25	--	12.04
1982	--	2.32	--	4.44	--	6.76
1983	--	1.00	--	1.83	--	2.83
1984	--	--	--	1.69	--	1.69
1985	--	--	--	1.25	--	1.25
1986	--	--	--	--	--	--
1987	--	--	--	--	--	--
Total	722.22	434.72	--	86.20	216.97	1,460.11

COLOMBIA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.43	--	.43
1952-60 (av./yr.)	1.44	6.07	--	--	3.99	11.50
1961	28.20	11.20	--	.20	17.70	57.30
1962	8.20	15.30	30.00	24.10	8.58	86.18
1963	93.30	16.60	.20	11.50	6.66	128.26
1964	79.40	13.20	--	13.10	9.09	114.79
1965	4.00	9.20	--	14.00	10.36	37.56
1966	85.50	9.40	1.50	5.20	13.47	115.07
1967	104.70	9.00	--	3.60	9.49	126.79
1968	77.60	19.40	--	3.00	4.87	104.87
1969	100.60	7.40	--	2.90	4.00	114.90
1970	75.80	53.50	--	1.80	7.37	138.47
1971	84.00	12.10	--	1.60	6.69	104.39
1972	92.60	21.00	--	2.40	8.59	124.59
1973	76.90	17.60	--	2.10	10.51	107.11
1974	40.10	10.10	--	3.30	.54	54.04
1975	14.00	11.50	--	3.00	.68	29.18
1976	14.00	11.90	--	2.70	20.64	49.24
1976TQ	6.60	1.70	--	4.90	.50	13.70
1977	1.43	5.25	--	2.37	.69	9.74
1978	--	2.58	--	4.70	52.18	59.46
1979	.25	1.56	--	7.01	12.95	21.77
1980	.34	4.62	--	18.20	.25	23.41
1981	.04	--	--	5.72	.28	6.04
1982	--	--	--	3.03	10.54	13.57
1983	--	--	--	3.93	.72	4.65
1984	--	--	--	8.20	25.27	33.47
1985	--	--	--	11.28	.83	12.11
1986	--	--	--	10.60	4.26	14.86
1987	--	--	--	10.50	3.95	14.45
Total	1,000.56	318.71	31.70	187.54	287.59	1,826.10

COSTA RICA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.63	--	.63
1952-60 (av./yr.)	1.27	.12	--	3.53	.00	4.92
1961	10.00	--	--	.10	.06	10.16
1962	2.00	--	--	3.90	.62	6.52
1963	13.00	1.10	--	.30	.32	14.72
1964	9.90	1.80	--	4.70	.43	16.83
1965	8.30	1.60	--	4.80	.22	14.92
1966	2.50	.80	--	1.40	.22	4.92
1967	6.90	.50	--	7.60	.02	15.02
1968	5.10	.60	--	5.80	--	11.50
1969	13.90	1.00	--	3.60	--	18.50
1970	19.60	.50	--	.60	--	20.70
1971	6.40	.80	--	.70	.10	8.00
1972	1.70	1.10	--	1.00	--	3.80
1973	1.30	.80	--	.50	--	2.60
1974	8.90	.50	--	1.20	--	10.60
1975	.70	1.00	--	2.00	--	3.70
1976	6.70	1.40	--	1.20	--	9.30
1976TQ	.20	.20	--	.30	--	.70
1977	6.43	3.86	--	1.26	5.00	16.55
1978	6.88	.74	--	1.35	--	8.97
1979	16.39	.03	--	1.47	--	17.89
1980	13.56	.38	--	1.97	--	15.91
1981	11.47	1.81	--	1.95	.03	15.26
1982	11.54	19.09	20.00	1.14	2.06	53.83
1983	27.16	28.18	157.00	1.75	4.63	218.72
1984	15.47	22.50	130.00	1.86	9.13	178.96
1985	25.92	21.63	169.59	2.91	11.23	231.28
1986	10.95	16.46	120.58	2.64	2.62	153.25
1987	12.77	16.22	87.72	2.81	1.73	121.25
Total	287.04	145.70	684.89	96.41	38.43	1,252.47

CUBA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.07	--	.07
1952-60 (av./yr.)	.37	.07	--	--	1.78	2.22
1961	--	--	--	--	--	--
1962	--	--	--	--	--	--
1963	--	--	--	--	--	--
1964	--	--	--	--	--	--
1965	--	--	--	--	--	--
1966	--	--	--	--	--	--
1967	--	--	--	--	--	--
1968	--	--	--	--	--	--
1969	--	--	--	--	--	--
1970	--	--	--	--	--	--
1971	--	--	--	--	--	--
1972	--	--	--	--	--	--
1973	--	--	--	--	--	--
1974	--	--	--	--	--	--
1975	--	--	--	--	--	--
1976	--	--	--	--	--	--
1976TQ	--	--	--	--	--	--
1977	--	--	--	--	--	--
1978	--	--	--	--	--	--
1979	--	--	--	--	--	--
1980	--	--	--	--	--	--
1981	--	--	--	--	--	--
1982	--	--	--	--	--	--
1983	--	--	--	--	--	--
1984	--	--	--	--	--	--
1985	--	--	--	--	--	--
1986	--	--	--	--	--	--
1987	--	--	--	--	--	--
Total	3.30	.60	--	.40	16.06	20.36

DOMINICAN REPUBLIC
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.10	--	.10
1952-60 (av./yr.)	.24	--	--	--	.89	1.14
1961	.10	--	--	--	.06	.16
1962	1.00	.80	25.00	.20	1.14	28.14
1963	5.70	12.80	23.90	7.80	3.99	54.19
1964	.30	13.00	--	1.20	1.99	16.49
1965	12.70	10.20	40.30	3.00	1.67	67.87
1966	21.80	5.40	72.50	.90	3.23	103.83
1967	21.50	4.30	32.20	.80	2.76	61.56
1968	27.10	14.20	16.40	1.00	2.57	61.27
1969	12.30	13.20	--	.80	2.52	28.82
1970	5.20	14.00	--	.60	2.04	21.84
1971	13.50	12.80	--	.50	1.12	27.92
1972	6.90	19.00	--	1.00	2.03	28.93
1973	1.00	14.20	--	.50	2.39	18.09
1974	12.60	4.20	--	.50	.84	18.14
1975	5.60	5.50	--	.60	1.52	13.22
1976	15.90	11.40	--	.90	.82	29.02
1976TQ	.20	1.00	--	.30	1.10	2.60
1977	.91	11.88	--	1.14	1.54	15.47
1978	1.30	3.89	--	.95	.74	6.88
1979	26.44	20.66	--	1.31	1.01	49.42
1980	34.64	19.66	--	1.46	3.45	59.21
1981	17.39	18.56	--	2.46	3.43	41.84
1982	19.05	19.27	41.00	3.06	5.46	87.84
1983	26.53	25.28	8.00	3.22	6.60	69.63
1984	30.35	31.30	34.00	2.50	6.33	104.48
1985	30.57	42.41	95.00	2.71	8.72	179.41
1986	26.50	14.65	40.00	2.47	4.52	88.13
1987	17.50	31.90	20.00	2.27	2.20	73.87
Total	396.78	395.46	448.30	44.74	83.81	1,369.09

EASTERN CARIBBEAN REGIONAL
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	--	.18	--	--	--	.18
1961	--	.30	--	--	--	.30
1962	--	.30	--	--	--	.30
1963	--	.40	--	.20	--	.60
1964	--	.30	--	--	--	.30
1965	--	.20	--	.20	--	.40
1966	--	.30	--	.20	--	.50
1967	--	.30	--	.40	--	.70
1968	--	.20	--	.50	--	.70
1969	.10	.20	--	.90	--	1.20
1970	10.10	.30	--	.90	--	11.30
1971	--	.40	--	1.00	--	1.40
1972	--	.50	--	1.00	--	1.50
1973	22.50	.20	--	.80	--	23.50
1974	.10	--	--	1.30	--	1.40
1975	8.60	--	--	1.10	--	9.70
1976	16.50	--	--	1.10	--	17.60
1976TQ	.20	--	--	.30	--	.50
1977	7.25	--	--	1.54	--	8.79
1978	23.61	--	--	1.72	--	25.33
1979	26.76	.23	--	1.85	--	28.84
1980	41.18	.64	4.00	1.95	--	47.77
1981	27.04	--	--	2.49	--	29.53
1982	30.05	16.60	20.00	3.31	1.00	70.96
1983	23.18	--	35.00	3.88	3.27	65.33
1984	25.40	.02	30.82	3.13	7.19	66.56
1985	27.64	.02	20.00	4.02	5.22	56.90
1986	23.70	--	25.58	3.51	7.54	60.32
1987	22.90	--	19.20	3.48	5.40	50.98
Total	336.81	23.01	154.60	40.78	29.62	584.82

ECUADOR
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.62	--	.62
1952-60 (av./yr.)	3.29	.92	--	--	2.45	6.67
1961	9.60	3.20	--	--	10.93	23.73
1962	12.00	2.10	8.00	14.40	4.85	41.35
1963	11.20	6.10	7.00	11.10	3.46	38.86
1964	20.50	4.40	--	3.70	5.13	33.73
1965	12.10	3.60	--	2.40	5.81	23.91
1966	6.30	1.60	10.00	5.60	3.79	27.29
1967	3.90	3.00	--	1.50	6.56	14.96
1968	3.60	1.30	--	1.50	2.39	8.79
1969	5.90	4.80	--	1.30	2.27	14.27
1970	23.20	1.60	--	1.00	2.32	28.12
1971	15.30	6.60	--	.80	.30	23.00
1972	5.00	3.20	--	1.40	--	9.60
1973	4.60	11.10	--	1.50	--	17.20
1974	2.50	3.30	--	1.80	--	7.60
1975	2.10	3.40	--	2.50	.38	8.38
1976	.10	2.10	--	2.20	10.49	14.89
1976TQ	--	.10	--	.40	.10	.60
1977	--	1.21	--	2.59	15.40	19.20
1978	.85	2.38	--	2.35	10.74	16.32
1979	.51	2.70	--	3.04	.44	6.69
1980	8.30	.87	--	2.64	3.27	15.08
1981	12.51	2.29	--	3.69	4.34	22.83
1982	17.30	2.38	--	3.17	5.00	27.85
1983	21.54	1.78	--	3.30	4.61	31.23
1984	22.57	2.68	--	3.56	6.70	35.51
1985	28.74	14.88	4.41	3.82	6.69	58.54
1986	27.11	6.69	20.22	4.10	4.54	62.65
1987	16.34	.92	12.50	4.06	3.65	37.46
Total	323.27	108.58	62.13	93.11	146.25	733.34

EL SALVADOR
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.32	--	.32
1952-60 (av./yr.)	.83	.11	--	.01	.01	.96
1961	2.90	.10	--	--	.22	3.22
1962	3.30	.90	--	11.80	1.02	17.02
1963	19.50	2.60	--	.30	1.47	23.87
1964	11.00	3.50	--	.40	1.23	16.13
1965	5.80	2.20	--	10.90	.53	19.43
1966	3.40	2.40	--	.90	.83	7.53
1967	2.20	1.90	--	.40	.33	4.83
1968	8.20	.70	--	.50	.47	9.87
1969	10.60	1.80	--	.60	.38	13.38
1970	10.30	1.80	--	.50	.57	13.17
1971	2.50	1.70	--	.50	.43	5.13
1972	6.00	1.40	--	1.00	.35	8.75
1973	2.00	1.10	--	.40	.50	4.00
1974	7.80	1.30	--	1.10	1.27	11.47
1975	1.30	1.60	--	1.00	5.49	9.39
1976	1.70	3.30	--	1.00	1.02	7.02
1976TQ	.20	.10	--	1.00	.10	1.40
1977	2.71	2.67	--	1.36	.56	7.30
1978	7.98	1.72	--	1.25	.02	10.97
1979	6.92	2.91	--	1.56	--	11.39
1980	43.15	5.46	9.10	.53	5.95	64.19
1981	33.35	35.28	44.90	.41	35.49	149.43
1982	39.57	27.59	115.00	--	82.00	264.16
1983	58.78	46.74	140.00	--	81.30	326.82
1984	41.14	54.56	120.23	--	196.55	412.48
1985	91.12	57.84	285.00	--	136.25	570.21
1986	83.88	54.45	177.05	--	121.80	437.17
1987	75.46	47.20	181.75	--	116.50	420.91
Total	590.26	365.82	1,073.02	39.41	792.71	2,861.22

GRENADA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	--	--	--	--	--	--
1961	--	--	--	--	--	--
1962	--	--	--	--	--	--
1963	--	--	--	--	--	--
1964	--	--	--	--	--	--
1965	--	--	--	--	--	--
1966	--	--	--	--	--	--
1967	--	--	--	--	--	--
1968	--	--	--	--	--	--
1969	--	--	--	--	--	--
1970	--	--	--	--	--	--
1971	--	--	--	--	--	--
1972	--	--	--	--	--	--
1973	--	--	--	--	--	--
1974	--	--	--	--	--	--
1975	--	--	--	--	--	--
1976	--	--	--	--	--	--
1976TQ	--	--	--	--	--	--
1977	--	--	--	--	--	--
1978	--	--	--	--	--	--
1979	--	--	--	--	--	--
1980	--	--	--	--	--	--
1981	--	--	--	--	--	--
1982	--	--	--	--	--	--
1983	--	--	--	--	--	--
1984	1.41	--	46.97	--	.06	48.44
1985	.20	--	11.13	.01	.06	11.40
1986	--	--	--	--	--	--
1987	--	--	--	--	--	--
Total	1.61	--	58.10	.01	.12	59.84

GUATEMALA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	1.47	--	1.47
1952-60 (av./yr.)	4.19	.52	3.50	3.01	.18	11.40
1961	21.00	.40	--	--	.11	21.51
1962	4.60	.70	--	4.30	3.65	13.25
1963	3.30	1.00	--	9.00	2.89	16.19
1964	5.80	3.00	--	.50	2.74	12.04
1965	7.30	1.10	--	4.80	1.57	14.77
1966	4.10	.90	--	4.00	1.46	10.46
1967	10.40	1.90	1.10	.70	2.17	16.27
1968	11.20	1.90	--	3.40	1.13	17.63
1969	5.40	2.20	.30	.70	2.43	11.03
1970	28.30	2.50	.80	.60	1.37	33.57
1971	14.20	2.00	--	.50	6.68	23.38
1972	12.50	3.40	--	.70	2.15	18.75
1973	9.50	1.70	--	.80	3.82	15.82
1974	2.50	1.20	--	1.00	2.43	7.13
1975	9.40	3.40	--	1.30	2.86	16.96
1976	29.00	12.50	--	2.00	2.17	45.67
1976TQ	3.70	.30	--	.40	.10	4.50
1977	14.27	4.51	--	1.97	.51	21.26
1978	4.52	4.62	--	1.52	--	10.66
1979	17.42	5.33	--	1.99	.01	24.75
1980	7.76	3.30	--	1.93	--	12.99
1981	9.25	7.55	--	2.34	--	19.14
1982	8.18	5.62	--	1.65	--	15.45
1983	12.31	5.35	10.00	1.98	--	29.64
1984	4.49	13.13	--	2.60	--	20.22
1985	63.17	28.19	12.50	3.04	.45	107.35
1986	36.88	21.22	47.85	2.93	5.36	114.24
1987	33.30	24.31	58.79	3.16	2.40	121.96
Total	431.45	167.93	162.84	95.71	50.05	907.98

GUYANA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	.11	.06	--	--	--	.17
1961	.70	.10	--	--	--	.80
1962	1.40	.10	--	--	--	1.50
1963	1.40	.10	--	--	--	1.50
1964	--	.30	--	--	--	.30
1965	6.10	.40	5.80	--	--	12.30
1966	4.90	1.20	1.30	.10	--	7.50
1967	9.40	.10	--	.20	--	9.70
1968	5.80	.10	2.50	.20	--	8.60
1969	16.60	.60	.10	.30	--	17.60
1970	1.30	--	--	.30	--	1.60
1971	1.20	.70	--	.10	--	2.00
1972	15.60	1.10	--	--	--	16.70
1973	.70	.20	--	.10	--	1.00
1974	.10	.10	--	--	--	.20
1975	1.00	.20	--	.10	--	1.30
1976	1.80	.20	--	--	--	2.00
1976TQ	--	.10	--	--	--	.10
1977	6.32	.01	--	--	--	6.33
1978	24.85	1.90	--	--	--	26.75
1979	6.33	2.28	--	--	--	8.61
1980	2.54	2.39	--	--	--	4.93
1981	1.21	.03	--	.05	.02	1.31
1982	1.69	.14	--	.10	.04	1.97
1983	.13	.05	--	.01	.02	.21
1984	--	--	--	.01	--	.01
1985	--	.08	--	--	--	.08
1986	--	2.64	--	--	--	2.64
1987	--	5.00	--	--	--	5.00
Total	112.07	20.62	9.70	1.57	.08	144.04

HAITI
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.48	--	.48
1952-60 (av./yr.)	2.23	.87	2.11	.01	.38	5.61
1961	2.20	1.10	11.50	--	.44	15.24
1962	--	.70	7.10	--	.26	8.06
1963	--	.90	4.90	--	--	5.80
1964	--	2.20	1.50	--	--	3.70
1965	.40	.70	1.40	--	--	2.50
1966	.20	.70	2.40	--	--	3.30
1967	.60	.70	1.40	--	--	2.70
1968	.10	1.30	2.00	--	--	3.40
1969	.10	1.30	1.90	--	--	3.30
1970	--	2.10	1.60	--	--	3.70
1971	--	1.50	2.80	--	--	4.30
1972	3.20	1.70	--	--	--	4.90
1973	6.30	1.20	--	--	--	7.50
1974	8.70	2.00	--	.70	--	11.40
1975	3.60	5.60	--	.10	.01	9.31
1976	9.30	13.90	--	.20	.10	23.50
1976TQ	11.00	.90	--	--	--	11.90
1977	21.11	19.33	--	.26	.62	41.32
1978	8.92	18.57	--	.05	.75	28.29
1979	9.07	15.39	--	.30	.38	25.14
1980	10.13	15.76	1.00	.17	.13	27.19
1981	9.16	24.48	--	.88	.42	34.94
1982	12.01	22.15	--	.12	.54	34.82
1983	17.32	18.44	10.00	.40	.69	46.85
1984	20.64	19.82	5.10	.99	1.03	47.58
1985	25.65	23.15	10.00	1.71	.74	61.25
1986	24.57	29.25	21.32	.93	1.90	77.98
1987	37.00	33.35	29.17	1.31	1.55	102.38
Total	261.38	285.99	134.09	11.13	13.01	705.60

HONDURAS
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.28	--	.28
1952-60 (av./yr.)	2.59	.28	--	.51	.14	3.51
1961	5.20	.30	--	--	.14	5.64
1962	2.90	.20	--	.20	1.49	4.79
1963	4.90	.30	2.40	5.80	.86	14.26
1964	8.70	.70	--	2.40	.41	12.21
1965	2.50	.40	--	1.20	.86	4.96
1966	12.00	1.00	--	1.00	1.36	15.36
1967	9.10	.60	--	.60	.90	11.20
1968	13.20	.40	--	.70	.98	15.28
1969	2.70	.80	--	.80	.83	5.13
1970	5.50	.90	--	.80	.44	7.64
1971	5.20	1.20	--	.80	.85	8.05
1972	3.60	1.20	--	.90	.63	6.33
1973	5.60	.90	--	1.20	.58	8.28
1974	24.60	1.20	--	1.20	.66	27.66
1975	25.40	9.00	--	1.20	4.22	39.82
1976	14.80	5.90	--	1.30	3.51	25.51
1976TQ	1.90	.30	--	.20	.10	2.50
1977	7.82	2.84	--	1.56	3.12	15.34
1978	12.95	2.44	--	1.70	3.20	20.29
1979	22.05	4.73	--	2.34	2.26	31.38
1980	45.82	5.14	--	2.09	3.98	57.03
1981	25.66	8.25	--	2.52	8.93	45.36
1982	31.17	10.09	36.80	2.65	31.27	111.98
1983	31.23	15.47	56.00	3.23	48.30	154.23
1984	30.99	20.24	40.00	3.79	77.44	172.46
1985	54.37	19.41	150.20	5.01	67.40	296.39
1986	44.31	18.50	61.25	5.24	61.16	190.45
1987	40.85	17.01	71.41	5.11	61.20	195.58
Total	518.32	151.92	418.05	61.83	388.31	1,538.44

JAMAICA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	.13	.44	--	--	--	.58
1961	1.00	.50	--	--	--	1.50
1962	1.00	.80	--	.20	--	2.00
1963	5.80	2.00	--	.20	.54	8.54
1964	3.30	4.20	--	.50	.01	8.01
1965	4.50	1.90	--	.60	--	7.00
1966	1.40	1.70	--	.60	.50	4.20
1967	.70	.90	--	.60	--	2.20
1968	1.00	6.80	--	.70	--	8.50
1969	.90	.60	--	.70	--	2.20
1970	.80	.40	--	.90	--	2.10
1971	20.90	1.10	--	1.10	--	23.10
1972	1.20	3.90	--	1.00	--	6.10
1973	5.60	1.40	--	1.40	--	8.40
1974	9.90	1.80	--	1.50	--	13.20
1975	.60	1.60	--	2.10	--	4.30
1976	.80	.10	--	1.30	--	2.20
1976TQ	.10	2.50	--	.30	--	2.90
1977	17.53	13.41	--	1.23	--	32.17
1978	.56	10.50	11.01	1.23	--	23.30
1979	5.98	10.21	--	1.92	--	18.11
1980	2.68	10.02	--	1.89	--	14.59
1981	12.92	17.11	41.00	2.45	1.66	75.14
1982	28.95	17.51	90.46	1.72	2.07	140.71
1983	22.18	20.11	59.35	1.81	3.43	106.88
1984	32.64	20.57	55.00	1.91	4.20	114.32
1985	34.26	40.34	81.00	2.53	7.64	165.77
1986	25.50	35.18	58.00	4.15	7.95	130.78
1987	14.50	38.82	25.00	5.02	3.30	86.65
Total	258.40	269.98	420.82	39.57	31.30	1,020.07

LATIN AMERICAN REGIONAL PROGRAM
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	3.53	.06	--	--	--	3.59
1961	6.20	.10	--	--	--	6.30
1962	13.50	.10	--	2.20	--	15.80
1963	17.10	6.20	--	3.20	--	26.50
1964	44.30	.10	--	3.90	--	48.30
1965	16.80	.10	--	5.00	--	21.90
1966	12.10	.10	--	5.00	--	17.20
1967	15.00	.20	--	5.80	--	21.00
1968	21.50	.10	--	6.00	--	27.60
1969	25.50	--	--	5.40	--	30.90
1970	34.00	--	--	7.00	--	41.00
1971	33.20	--	--	7.10	--	40.30
1972	46.10	--	--	7.70	--	53.80
1973	36.30	--	--	7.30	--	43.60
1974	30.00	--	--	12.30	--	42.30
1975	28.50	--	.10	24.10	--	52.70
1976	24.40	--	--	18.80	--	43.20
1976TQ	20.10	--	--	5.40	--	25.50
1977	29.83	--	--	3.61	--	33.44
1978	30.49	--	--	3.43	--	33.92
1979	14.06	--	--	3.66	--	17.72
1980	15.25	--	--	4.26	--	19.51
1981	15.21	--	--	4.93	.05	20.19
1982	21.74	--	--	5.64	.03	27.41
1983	21.91	--	15.01	6.50	--	43.42
1984	20.96	--	2.00	3.35	--	26.31
1985	28.27	--	1.49	9.08	--	38.84
1986	36.63	--	8.04	6.42	2.85	53.94
1987	27.55	--	5.86	10.40	2.82	46.63
Total	718.30	7.50	32.50	187.48	5.75	951.53

MEXICO
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	14.77	--	14.77
1952-60 (av./yr.)	.87	2.47	--	1.23	.36	4.93
1961	1.20	3.20	--	--	.67	5.07
1962	20.70	5.10	--	10.60	.72	37.12
1963	.30	15.20	--	7.70	.50	23.70
1964	22.40	18.00	--	12.10	.25	52.75
1965	24.70	6.90	.20	4.60	.18	36.58
1966	.20	.10	--	--	.25	.55
1967	.30	--	--	--	.08	.38
1968	.20	--	--	--	.11	.31
1969	.20	--	--	--	1.49	1.69
1970	--	--	1.00	--	.09	1.09
1971	--	--	--	--	4.48	4.48
1972	--	--	--	.50	2.01	2.51
1973	--	--	--	--	.01	.01
1974	--	--	--	.40	.03	.43
1975	--	--	--	.10	.11	.21
1976	--	--	--	.60	.13	.73
1976TQ	--	--	--	--	--	--
1977	--	--	--	15.77	.13	15.90
1978	--	--	--	20.51	.12	20.63
1979	--	--	--	13.43	.19	13.62
1980	--	--	--	7.45	.13	7.58
1981	.03	--	--	9.83	.12	9.98
1982	--	--	--	8.71	.15	8.86
1983	--	--	--	8.24	.07	8.31
1984	--	--	--	8.37	.17	8.54
1985	--	1.25	--	9.90	.20	11.35
1986	--	.28	--	11.60	.19	12.07
1987	--	--	--	15.50	.20	15.70
Total	78.03	72.23	1.20	265.61	16.05	433.12

NICARAGUA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.90	--	.90
1952-60 (av./yr.)	1.17	--	--	1.56	.18	2.91
1961	8.30	.20	--	1.40	.50	10.40
1962	3.60	.70	--	9.40	1.92	15.62
1963	3.50	1.40	--	2.60	1.21	8.71
1964	3.90	1.90	--	--	1.31	7.11
1965	16.40	1.20	--	6.10	1.39	25.09
1966	16.30	1.20	--	--	1.29	18.79
1967	11.40	.80	--	--	1.11	13.31
1968	25.50	.20	--	--	1.13	26.83
1969	1.90	.30	--	.20	.81	3.21
1970	2.30	.40	--	.40	1.21	4.31
1971	12.50	.30	--	.40	1.61	14.81
1972	2.50	1.70	--	.50	1.01	5.71
1973	22.50	3.00	--	1.30	2.95	29.75
1974	12.40	2.40	--	.70	2.06	17.56
1975	40.10	1.40	--	.70	4.25	46.45
1976	16.80	.90	--	1.20	3.63	22.53
1976TQ	.90	.10	--	.30	.20	1.50
1977	1.39	.36	--	1.46	3.10	6.31
1978	12.51	.05	--	1.42	.40	14.38
1979	1.70	6.97	8.00	1.84	.01	18.52
1980	18.31	18.00	1.13	1.26	--	38.70
1981	1.83	1.24	56.57	.28	--	59.92
1982	.68	.35	5.10	.12	--	6.25
1983	--	--	--	--	--	--
1984	--	--	--	.10	--	.10
1985	--	--	--	--	--	--
1986	--	--	--	--	--	--
1987	--	--	--	--	--	--
Total	247.72	45.07	70.80	51.08	32.76	447.43

PANAMA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.25	--	.25
1952-60 (av./yr.)	1.47	.59	--	2.42	--	4.48
1961	15.70	.40	--	--	.08	16.18
1962	2.60	.40	9.90	10.40	.65	23.95
1963	8.40	.70	.40	.40	.38	10.28
1964	9.10	.80	--	7.70	.23	17.83
1965	7.40	.60	4.00	8.70	.24	20.94
1966	9.30	.50	3.50	1.10	.55	14.95
1967	25.00	.60	10.20	.70	.47	36.97
1968	19.40	.30	.20	.90	.22	21.02
1969	16.00	.60	--	.80	.28	17.68
1970	11.80	1.00	--	.70	1.02	14.52
1971	11.10	.60	--	5.20	1.56	18.46
1972	22.80	1.20	--	9.80	.69	34.49
1973	7.10	.50	--	7.90	.76	16.26
1974	10.80	.70	--	16.40	.93	28.83
1975	8.30	.90	--	12.00	.58	21.78
1976	22.70	1.20	--	.80	.89	25.59
1976TQ	4.00	--	--	2.70	.20	6.90
1977	13.65	2.22	--	.38	3.12	19.37
1978	21.34	1.33	--	.48	.51	23.66
1979	19.91	1.07	--	.21	1.41	22.60
1980	1.04	1.04	--	.04	.29	2.41
1981	8.64	1.85	--	.02	.38	10.89
1982	11.69	1.36	--	.01	5.40	18.46
1983	6.23	1.05	--	--	5.45	12.73
1984	10.72	1.35	--	--	13.50	25.57
1985	24.29	.08	50.00	.07	10.59	85.03
1986	18.80	.08	5.74	--	8.21	32.83
1987	19.33	.07	--	--	6.39	25.80
Total	380.34	27.80	83.94	110.71	64.99	667.78

PARAGUAY
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	2.80	--	2.80
1952-60 (av./yr.)	22.60	3.60	--	--	.39	26.59
1961	9.80	1.10	--	--	.43	11.33
1962	2.00	6.00	--	--	.89	8.89
1963	3.00	3.10	--	2.90	1.41	10.41
1964	5.40	2.70	--	--	1.24	9.34
1965	2.40	1.50	--	4.90	2.86	11.66
1966	11.70	3.10	--	--	1.96	16.76
1967	4.10	.60	--	.30	.96	5.96
1968	2.70	3.20	--	.40	1.34	7.64
1969	9.70	3.30	--	.50	1.16	14.66
1970	7.10	.50	--	.50	1.17	9.27
1971	6.90	5.30	--	.40	4.06	16.66
1972	2.80	1.70	--	.40	2.67	7.57
1973	6.00	.90	--	.40	1.94	9.24
1974	4.40	.20	--	1.20	2.38	8.18
1975	6.70	.40	--	.90	1.08	9.08
1976	4.40	.10	--	1.00	2.59	8.09
1976TQ	1.10	--	--	.20	.90	2.20
1977	1.70	.19	--	1.31	.76	3.96
1978	1.79	.32	--	1.41	.62	4.14
1979	7.11	.27	--	2.88	.01	10.27
1980	1.32	.44	--	1.91	.01	3.68
1981	1.96	.65	--	3.51	--	6.12
1982	--	.11	--	3.71	.01	3.83
1983	--	.04	--	3.17	.06	3.27
1984	.18	--	--	2.50	.07	2.75
1985	.96	--	--	2.50	.09	3.55
1986	--	.29	--	1.77	.10	2.16
1987	--	.25	--	1.82	.13	2.20
Total	127.82	39.86	--	43.29	31.28	242.25

PERU
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	1.77	--	1.77
1952-60 (av./yr.)	3.18	4.37	--	--	6.43	13.97
1961	29.20	6.10	--	--	19.42	54.72
1962	20.70	7.40	6.00	25.50	20.86	80.46
1963	2.90	5.70	--	4.10	16.46	29.16
1964	35.40	12.90	--	6.40	9.48	64.18
1965	7.40	6.50	--	9.20	12.09	35.19
1966	17.80	7.80	.80	13.10	10.09	49.59
1967	22.70	2.40	--	2.20	5.15	32.45
1968	5.50	6.70	--	1.60	1.50	15.30
1969	4.00	7.80	--	1.30	.54	13.64
1970	11.30	4.20	--	1.40	.55	17.45
1971	6.90	6.90	--	1.40	.51	15.71
1972	31.70	11.10	--	1.40	.92	45.12
1973	3.80	4.20	--	1.00	.72	9.72
1974	12.10	3.70	--	1.50	15.94	33.24
1975	8.90	6.40	--	.80	21.32	37.42
1976	12.70	8.70	--	.40	1.08	22.88
1976TQ	.90	1.00	--	--	20.30	22.20
1977	17.43	5.31	--	.07	10.88	33.69
1978	21.98	31.97	--	.82	8.94	63.71
1979	34.10	35.31	--	1.30	5.48	76.19
1980	18.69	33.00	--	1.64	3.31	56.64
1981	34.52	42.47	--	3.17	4.32	84.48
1982	35.81	16.15	--	2.59	4.98	59.53
1983	35.49	55.85	--	2.05	4.55	97.94
1984	118.85	42.98	--	2.81	10.70	175.34
1985	37.91	38.73	--	2.41	8.66	87.71
1986	17.59	28.71	7.00	3.74	.63	57.67
1987	14.50	28.51	5.00	6.70	.70	55.41
Total	649.37	507.79	18.80	109.20	277.91	1,563.07

REGIONAL OFFICE FOR CENTRAL AMERICA AND PANAMA (ROCAP)
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	--	--	--	--	--	--
1961	5.00	--	--	--	--	5.00
1962	--	--	--	--	--	--
1963	8.20	--	--	2.90	--	11.10
1964	24.30	--	--	--	--	24.30
1965	43.40	--	--	--	--	43.40
1966	3.80	--	--	--	--	3.80
1967	24.20	--	--	--	--	24.20
1968	3.80	--	--	--	--	3.80
1969	34.00	--	--	--	--	34.00
1970	44.10	--	--	--	--	44.10
1971	3.50	--	--	--	--	3.50
1972	13.20	--	--	--	--	13.20
1973	42.50	--	--	--	--	42.50
1974	1.30	--	--	--	--	1.30
1975	6.40	--	--	--	--	6.40
1976	2.40	--	--	--	--	2.40
1976TQ	16.00	--	--	--	--	16.00
1977	2.96	--	--	--	--	2.96
1978	1.48	--	--	--	--	1.48
1979	2.75	--	--	--	--	2.75
1980	4.16	--	--	--	--	4.16
1981	9.70	--	.90	--	--	10.60
1982	13.13	--	--	--	--	13.13
1983	19.40	--	--	--	--	19.40
1984	15.46	--	--	--	--	15.46
1985	35.71	--	70.89	--	--	106.60
1986	23.84	--	1.20	--	--	25.04
1987	24.76	--	5.26	--	--	30.02
Total	429.45	--	78.25	2.90	--	510.60

SURINAME
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	.23	.03	--	--	--	.27
1961	.40	.10	--	--	--	.50
1962	.50	.10	--	--	--	.60
1963	.30	.10	--	--	--	.40
1964	--	.20	--	--	--	.20
1965	--	.10	1.00	--	--	1.10
1966	--	.10	--	--	--	.10
1967	--	--	--	--	--	--
1968	--	--	--	--	--	--
1969	--	.60	--	--	--	.60
1970	--	--	--	--	--	--
1971	--	--	--	--	--	--
1972	--	--	--	--	--	--
1973	--	.10	--	--	--	.10
1974	--	--	--	--	--	--
1975	--	--	--	--	--	--
1976	--	--	--	--	--	--
1976TQ	--	--	--	--	--	--
1977	--	--	--	--	--	--
1978	--	--	--	--	--	--
1979	--	--	--	--	--	--
1980	--	--	--	--	.03	.03
1981	--	--	--	--	.03	.03
1982	--	--	.50	--	.02	.52
1983	--	--	--	.06	--	.06
1984	--	--	--	--	--	--
1985	--	--	--	--	.04	.04
1986	--	--	--	--	.04	--
1987	--	--	--	--	.05	--
Total	3.30	1.70	1.50	.06	.21	6.68

TRINIDAD AND TOBAGO
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	--	--	--
1952-60 (av./yr.)	.42	.03	--	--	--	.46
1961	3.70	.10	--	--	--	3.80
1962	.90	--	2.00	.10	--	3.00
1963	.80	--	10.10	--	--	10.90
1964	.50	.20	5.00	--	--	5.70
1965	--	.10	5.00	--	--	5.10
1966	--	.10	5.00	--	--	5.10
1967	--	.10	5.00	--	--	5.10
1968	--	--	--	--	--	--
1969	--	.10	--	--	--	.10
1970	--	--	--	--	--	--
1971	--	.10	--	--	--	.10
1972	--	.10	--	--	--	.10
1973	--	--	--	--	--	--
1974	--	--	--	.30	--	.30
1975	--	--	--	--	--	--
1976	--	--	--	--	--	--
1976TQ	--	--	--	--	--	--
1977	--	--	--	.03	--	.03
1978	--	--	--	.08	--	.08
1979	--	--	--	.04	--	.04
1980	--	--	--	.25	--	.25
1981	--	--	--	--	--	--
1982	--	--	--	--	--	--
1983	--	--	--	--	--	--
1984	--	--	--	--	--	--
1985	--	--	--	--	.04	.04
1986	--	--	--	--	.05	.05
1987	--	--	--	--	.05	.05
Total	9.70	1.20	32.10	.80	.14	43.94

URUGUAY
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.40	--	.40
1952-60 (av./yr.)	1.22	2.38	--	--	3.00	6.60
1961	.10	1.90	--	--	5.10	7.10
1962	.30	1.30	--	2.50	1.44	5.54
1963	7.90	.60	--	8.40	1.93	18.83
1964	6.30	1.00	--	.20	2.52	10.02
1965	1.10	.70	--	.30	2.91	5.01
1966	5.90	.50	--	.40	5.05	11.85
1967	2.70	.60	--	.20	1.60	5.10
1968	16.30	19.50	--	.20	1.93	37.93
1969	1.70	.20	--	.10	2.07	4.07
1970	16.90	2.40	--	.10	3.49	22.89
1971	4.90	.40	--	.10	6.56	11.96
1972	1.40	8.60	--	.10	6.70	16.80
1973	1.20	7.00	--	.10	3.05	11.35
1974	.90	--	--	--	5.41	6.31
1975	12.80	--	--	.10	9.16	22.06
1976	.60	--	--	--	1.03	1.63
1976TQ	.10	--	--	--	2.70	2.80
1977	.59	--	--	--	.03	.62
1978	.02	--	--	.20	--	.22
1979	--	--	--	.19	--	.19
1980	--	--	--	.01	--	.01
1981	--	--	--	.07	--	.07
1982	--	--	--	.85	.01	.86
1983	--	--	--	.99	.06	1.05
1984	--	--	--	.57	.10	.67
1985	--	--	--	--	.10	.10
1986	--	--	14.36	--	.10	14.45
1987	--	--	12.15	--	.13	12.28
Total	92.71	66.10	--	16.08	90.16	293.56

VENEZUELA
FY 1946-1987
(in current $ millions)

	Development Assistance	Food Aid (P.L. 480)	Economic Support Fund	Other Economic	Military Assistance	Total
1946-51 (av./yr.)	--	--	--	.25	--	.25
1952-60 (av./yr.)	.13	--	--	--	2.40	2.53
1961	15.20	--	--	--	9.93	25.13
1962	11.10	.50	--	42.50	18.35	72.45
1963	33.10	1.20	--	11.80	14.67	60.77
1964	1.70	10.30	--	2.00	13.06	27.06
1965	1.80	4.40	--	22.20	11.71	40.11
1966	1.70	3.90	--	3.60	11.94	21.14
1967	1.40	2.30	--	2.40	.93	7.03
1968	1.40	1.50	--	2.10	1.01	6.01
1969	1.00	.60	--	1.60	.82	4.02
1970	1.10	--	--	1.60	.76	3.46
1971	1.00	--	--	1.50	8.29	10.79
1972	.80	4.70	--	1.40	9.61	16.51
1973	.40	--	--	1.30	10.36	12.06
1974	.30	--	--	2.30	8.38	10.98
1975	--	--	--	1.60	.67	2.27
1976	.10	--	--	.50	10.66	11.26
1976TQ	.07	--	--	.10	.10	.27
1977	--	--	--	--	.08	.08
1978	--	--	--	--	.10	.10
1979	--	--	--	--	--	--
1980	--	--	--	--	--	--
1981	--	--	--	.09	.01	.10
1982	--	--	--	.19	.03	.22
1983	--	--	--	.10	.06	.16
1984	--	--	--	.39	.05	.44
1985	--	--	--	.77	.10	.87
1986	--	--	--	--	.10	.10
1987	--	--	--	--	.13	.13
Total	73.37	29.40	--	101.54	153.51	357.82

STATEMENT OF HON. WILLIAM D. ROGERS, FORMER ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS; SENIOR PARTNER, ARNOLD & PORTER

Mr. ROGERS. It is a pleasure and honor to be back before the committee again. I have a short prepared statement, fully conscious of how the committee appreciates brisk presentations, and to that I have attached a copy of an article that I have written in the forthcoming annual windup issue of Foreign Affairs.[1] It is an attempt to review in a broader perspective the results of American foreign policy culminating in 1984, with some suggestions about the future.

That publication is embargoed until February 10, but with your permission, knowing that the article has been distributed to the committee members, let me only touch here on two separate issues. First, I would like to discuss the economic crisis in the hemisphere and the U.S. response to it; and, second, a word about the World Court case instituted by Nicaragua.

A MORE FORWARD POLICY NEEDED TO DEAL WITH DEBT CRISIS

First and most paramount in my view is the need for a more forward policy to cope with the Latin American economic crisis. The attention of the Nation, and indeed to an extent the committee, has been riveted on Central America in recent years. In my judgment, our larger national interests have been vitally engaged elsewhere in the hemisphere, and our response has been inadequate.

In Argentina and Brazil, several hundred million people have emerged from military rule to real democracy. There is more freedom in South America today than at any time since independence a century and a half ago. Those who believed, when President Reagan came to office, that the contest in the Americas in the eighties would be between the authoritarian right and the totalitarian left were wrong. And they were wrong because they conceived that democracy was alien to Latin America, and unlikely to thrive there, at least during times of economic stress.

The eighties have undoubtedly been times of economic stress. The consequences have been fairly hideous for many, with falling real incomes in almost every country in every year of the Reagan administration. Yet there has been no violent rending of the political fabric, no revolutionary lurch to either extreme. Why? My own view is that this is not in spite of democracy but because of it. Had Argentina and Brazil not been moving toward greater freedom and civilian elected systems during this period, violence and revolution would have been far more likely.

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[1] A copy of the article remains on file in the subcommittee offices.

Reprinted from U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs. U.S. policy on Latin America--1985. Hearing, 99th Congress, 1st session. Jan. 29, 1985. Washington, G.P.O., 1985. 85 p. Pages 2-8, 18-24.

3

DEMOCRACY AND ECONOMIC STRINGENCY CANNOT COEXIST INDEFINITELY

Nonetheless, I am not optimistic. I doubt that democracy and economic stringency can coexist indefinitely in Latin America. It seems to me that a number of countries, including particularly Peru, are close to the brink.

This is where our national interests come in. I am strongly of the view that the administration should develop a more forward policy by which the United States can lend greater support to the development efforts of the hemisphere. The present administration has tended to leave the Latin American debt crisis to the debt restructuring arrangements being worked out by the private banks and the sovereign Latin debtors, with an occasional official bridging loan.

I do not mean to suggest that these restructurings have not made their own important contribution; I have been engaged as counsel to Venezuela in its own long-term debt stretchout with the banks. The adjustment programs which, with IMF approval, have been instituted as part of these restructurings are essential and unavoidable. The point is not to bash the International Monetary Fund. We must rather recognize that debtor country adjustment, debt stretchouts and IMF loans and tutelage may not be enough. The economic crisis in Latin America is a political event; this Nation should be responding with a policy.

ECONOMIC CRISIS IS A POLITICAL EVENT

It is in our profound interest to do what we can to improve the odds that our friends in the hemisphere can get through this crisis with their tender democratic institutions in tact—by taking into account the impact abroad of our budget deficits and murderously high interest rates, by constant efforts to maintain Latin America's trading opportunities in this country, by macroeconomic policy harmonization with the other industrial democracies in order to sustain noninflationary growth in the West, and by new measures to enhance the flow of needed capital to the developing nations of this hemisphere, not relying so heavily on debt this time and not only through an expansion of the resources of the multilateral agencies but with cooperative measures to improve the prospects for equity investment and Latin America capital reflows, as well.

This, in my judgment, is the overwhelmingly important challenge to American foreign policy in this hemisphere in the years ahead.

WORLD COURT CASE ON NICARAGUA

Second, as to the World Court case brought by Nicaragua against the United States. I do not think it is well understood in the debate that has raged in recent weeks. The case has been a kind of a metaphor for the conflict in Central America from which it arose. And, like the conflict, it is straining conventional notions of international legal restraint on the use of force.

The Court's opinion in November holding that it had jurisdiction was an unfortunate piece of work. Even more unfortunate was the

Court's refusal to permit El Salvador to participate in the consideration of the jurisdictional issues.

I should record here that I and my firm appeared as counsel to El Salvador. The central question presented by Nicaragua's claim is whether the United States is acting in the collective defense of other nations of the region, most particularly El Salvador.

El Salvador is, in short, an indispensable party. Its government decided to participate because it believed that the Court should not undertake to adjudicate the issue, but should stay its hand; the question was too complex factually and too contentious politically to be capable of resolution as a simple legal dispute. El Salvador contended that its national survival was at stake. The Court had never before been called upon to judge between nations at war; it should in this instance attend the results of the political negotiations underway in Contadora. These were, it is submitted, at least colorable contentions from the nation which is at the very center of that conflict.

The Court, however, refused even to hear El Salvador's oral argument. Instead it denied the effort to intervene a few hours before commanding the two original parties to begin their own presentations.

This was but one of a series of unfortunate developments in the case, unfortunate for the Court and the long-cherished hope that adjudication could be an important instrument for resolving disputes between nations. The first unfortunate development was Nicaragua's institution of the suit; and, second, the effort of the United States to condition its acceptance of the Court's compulsory jurisdiction moments before Nicaragua filed; the third, the Court's decision to issue imbalanced interim measures against the United States; and the final unfortunate development, the Court's decision on jurisdiction.

U.S. REFUSAL TO PARTICIPATE FURTHER IN WORLD COURT CASE

So the administration has announced that it has no alternative but to determine not to participate further. The United States is now squarely within the grand tradition of sovereign attitudes about international courts. Only a handful of countries in the world have even given preliminary consent to be sued in the World Court. The great majority of the members of the Court who voted against the United States come from countries who could not conceive of permitting themselves to be subject to adversarial claims in the Court without special agreement.

The case is probably the death knell of consensual jurisdiction in cases against the United States. I should think the United States will now restructure its relationship to the World Court much as other nations do.

In a sense, it also is the end of an era and of a dream—the dream that the United Nations Charter would inspire new respect for the rule of law in general and the prohibition on the use of force in particular; that the World Court could play an important role by pronouncing on the disputes which rage between nations; and that the United States, by itself agreeing to be sued, would persuade other nations to embrace a similarly conciliatory posture toward their enemies. The reality of our world since 1945 has certainly proved otherwise. So perhaps we are not so very much the worse for the end of such a dream.

Thank you very much.

Mr. **Barnes**. Thank you, Mr. Rogers.

STATEMENT OF NORMAN A. BAILEY, FORMER NSC STAFF MEMBER; GENERAL PARTNER, COLBY, BAILEY, WERNER & ASSOCIATES

Mr. **Barnes**. Mr. Bailey.

Mr. **Bailey**. Thank you, Mr. chairman, members of the subcommittee.

I want to mention that the copy of my testimony which was distributed had a very serious typographical error on the first page, and a corrected copy has been furnished to the staff.

The matters I wish to address in my remarks this afternoon have to do with the economic and financial relations of the United States with Latin America, and specifically the interrelated topics of debt and trade, a relationship which tends to be ignored, but in the past three years has become starkly evident—to repay debt one must earn freely convertible income and exports are the most obvious sources of foreign exchange for the developing countries. At this point I do not wish to enter the business of futurology—all forecasting is based on probabilities and trends, which is why forecasting is an art and not a science.

But with this caveat always present, it is my opinion that the possibility of a future Latin America inimical to the national interests of the United States is greater as a result of economic and financial factors at this moment of time than as a result of political or diplomatic factors, although I am by no means unaware of the importance of the latter.

In this I agree fully with Mr. Rogers. The conventional wisdom concerning the current phase of the Latin American dept crisis is nicely illustrated by the following quotes from a recent speech by William Rhodes, senior vice president of Citibank and the commercial banks' most experienced debt negotiator:

> . . . these economies, one-by-one, will return to stable growth and creditworthiness . . . the chronic problems we now face will gradually ease. The countries of Latin American will adjust their economies and eventually resume growth . . . .

COMING OUT OF THE WOODS ON THE DEBT ISSUE

In other words, those who originally argued that there were no woods, and then argued that although there were woods we were not entering them, are now saying that we are coming out of the woods. I wish this were true, but unfortunately we have always been in the woods and the path out of them is obscure an easily lost.

I am not going to submerge you in endless figures. These are available to you in countless official and unofficial publications. I an not going to refer to econometric calculations, which are only as good as the premises and assumptions upon which they are based. I am not going to do more than engage in a simple arithmetic exercise, limiting myself to the years 1982, 1983, and 1984. All the figures are approximations, as the statistics are not very reliable, and in the case of 1984 are obviously provisional. In any case, what they show is the following:

At year-end 1981 the Latin American countries owed about $297 billion. At year-end 1984 they owed about $371 billion. In other words, after 3 years of crisis and austerity, they had increased their indebtedness by about $75 billion, on which, of course, interest is due.

Of this increase about $34 billion was lent by commercial banks in BIS-reporting countries and of this figure, $24.6 billion by U.S. banks. All of this money was paid by the banks to themselves and counted as interest received from the debtor countries. The increase in bank debt alone will cost the debtor countries about $4.0 billion per year in additional interest. None of it will increase the productive or export capacity of the debtor countries at all.

During the same 3 years the debt service ratio of the debtor countries declined from 51.2 percent to 43.3 percent of merchandise exports because of the partial postponement of principal repayments, which in theory will have to be paid some day. The ratio of net interest payments to export of goods declined moderately to about 35 percent in 1984—thus, one can see the sensitivity of these economies not only to export growth, but the movement of world interest rates. Nearly one-third of these countries' export earnings are diverted from imports required for future growth.

LATIN AMERICAN TRADE SURPLUS

As false as is the conventional wisdom on the debt situation, the conventional wisdom on the trade situation is true, as represented by this quote from a Department of Commerce paper:

> The contractions in Latin America's trade have aggravated the decline in world trade while intensifying domestic recession. The pressure to adjust has created distortions in the region's trade—a rapid increase in import restrictions, increased resort to export subsidies, and practices such as barter and countertrade. Import substitution has been made a national priority, often regardless of the cost, posing a threat to the long-run export competitiveness of these countries. Trade distortions such as these are not in the interests of free multilateral trade.

In the past 3 years Latin America has accumulated a $74 billion merchandise trade surplus with the outside world, entirely due to huge cuts in imports. In 1984, export value was still somewhat below 1981 although export volume was higher—one of the effects of the strong dollar. In the same period debt service payments totalled $109 billion. New money and export surplus totalled $148 billion, meaning that $39 billion was spent on services, fled the region or were added to international reserves.

The sustainability of trade surpluses adequate to meet future external debt service requirements seems suspect if the region is to restore moderate per capital economic growth—for example four to five percent real GNP. Racked by growing inflation, the region must take steps to reduce this price pressure, but the traditional policies of austerity—cuts in public spending and monetary restraint—have only deepened the domestic recession.

Those economies can and have shifted resources to the export sectors, but new investment is required to sustain this process—but business uncertainty about future domestic policies and continued access to foreign markets is dampening investment. With no or little expansion in productive capacity, continued export growth will be constrained and possibly show declines if domestic demand perks up.

In summary, in the past 3 years there has been a massive shift of resources from industry, agriculture and commerce in the creditor countries and from the domestic economy in the debtor countries to the export economy in the debtor countries and through them to the financial institutions and governments of the creditor countries and to international financial institutions.

To recapitulate: Imports were reduced by a cumulative $143 billion from the precrisis level. The merchandise export surplus plus net new lending totalled $148 billion while debt service payments were $109 billion. Net monetary transfers to creditors were thus $35 billion and that money presumably was available for domestic use. Therefore, the net loss to creditor country producers and labor was about $108 billion.

This is not an attack on or a condemnation of anyone. All parties involved were over 21 and at least officially of sound mind. What is clear, however, is that the situation is perfectly unsustainable—much of the debt will never be repaid, and Latin investment levels are insufficient to sustain export rhythm even in the unlikely event that OECD growth should stay at the 1984 level.

In regard to the trade relationships between the major OECD countries and the rest of the world, the fragility of the present process seems fairly clear. The major OECD countries in 1984 ran a trade deficit of about $70 billion with the rest of the world, but if one excludes the United States from the above calculation, the other major OECD countries would show a surplus of about $68 billion.

Thus, the large U.S. trade deficit has acted to facilitate the adjustment process. In fact, it is just about the only factor, but as we all recognize, increasing pressures to reduce the trade deficit are being expressed. These pressures are manifested directly and indirectly, and the Latin American countries recognize clearly the relationship of their trade surpluses to U.S. trade deficits.

Populations and pressure groups in neither the debtor nor the creditor countries will tolerate a continuation of the situation indefinitely. Any combination of slower OECD growth, a substantial fall in the crude oil prices or cessation of payments by countries such as Peru, Chile, the Dominican Republic, Costa Rica, et cetera, will bring the crisis again to a head. The unexpected will happen, it always does.

Mexico, now seen as the shining example of successful adjustment, may prove an Achilles heel after all, with incalculable effects on U.S. national security interests. Brazil, on the other hand, thought by many to be a helpless giant, may, in my opinion, emerge from the crisis in a strengthened position. But all in all, the economic and financial situation in Latin America is pregnant with danger for the United States.

RECOMMENDATIONS FOR U.S. POLICY

To forestall this, I believe the U.S. Government should encourage and promote the following measures to be taken as soon as possible:

All existing project loans and already consolidated trade credits should be rescheduled on a multiyear basis, with substantially extended grace periods and final maturities in most cases.

All floating interest tied to prime should be converted to LIBOR.

The IMF should be encouraged to establish a compensatory financing facility [CFF] for interest rates. Capping interest and capitalizing the differential makes no sense since it only postpones the day of reckoning for the debtors and has very negative implications for bank earnings. IMF subsidization of the differential would provide true relief and would be a more efficient use of IMF resources in most cases than CFF funding. Such a CFF should be applied in accordance with CFF-type conditionality, however.

That portion of the existing debt which represents balance of payments loans should be converted to at least 30-year, perhaps perpetual, bonds bearing a fixed rate of interest at or slightly below current dollar rates. These bonds, issued by the respective central banks of the debtor countries, would bear the guarantee of a fixed or adjustable percentage of debtor country foreign exchange receipts.

Future properly documented trade credits must be insulated from the rescheduling process.

The IMF, the World Bank and the regional development banks must begin to work cooperatively on programs for the debt-ridden LDC's, to expand the IMF time horizon by the provision of expanded development credits covered by a different form of growth-oriented conditionality on the part of the development banks, including such elements as an appropriate import mix rather than simply cutting imports, investment policies genuinely oriented toward a realistic encouragement of foreign and domestic private investment and fiscal policies designed to encourage savings and capital formation.

In closing, I wish to thank the chairman and members of the subcommittee for this opportunity to testify. Thank you.

[Mr. Bailey's prepared statement follows:]

STATEMENT OF ABRAHAM F. LOWENTHAL, PROFESSOR, SCHOOL OF INTERNATIONAL RELATIONS, UNIVERSITY OF SOUTHERN CALIFORNIA; AND EXECUTIVE DIRECTOR, INTER-AMERICAN DIALOGUE

Mr. LOWENTHAL. I am indeed honored to be asked to appear before your committee again.

These hearings are very timely, for the United States and the other countries of the hemisphere now stand at a critical juncture in their relationship.

Latin America is still suffering through its most severe and economic social crisis since the Great Depression. Dr. Bailey has just presented a number of statistics that make that clear, so I will not dwell on the facts and figures that are in my prepared statement.

STATISTICS ON DEBT CRISIS MUST BE TRANSLATED INTO HUMAN TERMS

What I would say in addition, though, is that the depth of Latin America's crisis is not adequately conveyed by statistics about debts, employment, income, inflation, production, and trade, because you have to translate the situation in the region into human terms: hunger, homeless children, infant deaths, boat people and "feet people," bread riots, and terrorism.

But even at this time of trauma, Latin American has also been experiencing an exhilarating regional return to democracy. Popularly elected reformist governments, exactly the kind with which the United States under John F. Kennedy wanted to build an Alliance for Progress just a generation ago, are now in place or about to take office in Argentina, Bolivia, Colombia, the Dominican Republic, Ecuador, Peru, Uruguay, and Venezuela, as well as in several nations of Central America and the Commonwealth Caribbean.

Brazil, Latin America's largest nation, just 2 weeks ago selected its first civilian President in 21 years, albeit by an indirect electoral process, and seems sure to return to full democracy soon.

In South America, authoritarian regimes persist only in Chile, Paraguay, Guyana, and Suriname, and in at least the first two countries, the opposition is growing more bold.

But today's democratic leaders in Latin America, natural partners of the United States, now encounter in Washington not an ally but an obstacle.

Forced to implement painful and unpopular austerity programs, they see in Washington a U.S. Government that talks ardently, eloquently, and often about democracy all over the world, but that does very little in concrete terms to alleviate the financial and social strains that are severely threatening fragile democracies in the Western Hemisphere.

On the contrary, Latin America's staggering debts are due in part to U.S. economic policies that drive interest rates up. Latin America's urgent need to expand exports is colliding head-on with rising protectionism in the United States and other industrial countries.

Those Latin American and Caribbean nations that send migrants to the United States now face increasing restrictionism in this country.

Latin Americans who look to the United States for leadership to help resolve the hemisphere's crisis of debt, growth, and trade are increasingly frustrated. Washington preaches austerity to them while running up unprecedented budget deficits.

The United States talks of interdependence and regional solidarity, but carries out macroeconomic policies with devastating international effects. Instead of getting the U.S. Government to focus on confronting the hemisphere's economic problems, Latin Americans find that Washington wants to talk to them about fighting the Communists in Nicaragua and El Salvador.

WASHINGTON'S VIEW OF LATIN AMERICA

There is a striking gap today between the sense of deep crisis in Latin America and the confident mood that Washington projects. From a distance, at least, Washington appears to be quite satisfied with how things are going in Latin America.

It seems to believe, one, that the region's crisis is largely resolved, at least in the most important countries of Latin America.

Two, that Latin Americans are increasingly turning to the magic of the market and to foreign investment to strengthen their economies.

Three, that the regional turn to democracy results in large part from United States policy, that Latin Americans will be grateful to Washington as a result, and that these factors will improve United States-Latin American relations.

Four, that Central America's civil wars are near resolution because the Duarte government in El Salvador is stronger and the Sandinista government in Nicaragua is weaker.

Five, that reactions to the 1983 U.S. invasion of Grenada show that public opinion both in the United States and in Latin America favors strong U.S. actions against the Communists in the Western Hemisphere, so long as U.S. combat forces are not engaged in a prolonged struggle.

Eachl of these five elements of today's conventional wisdom in Washington contains an element of truth, but each is only a half-truth, and thus is dangerously misleading.

FINANCIAL CRISIS IS ONLY SOMEWHAT ALLEVIATED

One, the hemisphere's economic and financial crisis has been somewhat alleviated within the past year in several countries, though not in all, but the underlying problems have not been resolved anywhere, and conditions may worsen again in most nations in the next years.

The slight improvement in Latin America's economic and financial situation in 1984 resulted largely from drastic cuts in imports beyond what can be sustained if growth is to be resumed, and from a significant expansion of U.S. imports from Latin America that is due in part to the excessively strong U.S. dollar.

Neither of these two conditions can last. Severe economic and financial difficulties may well return to Latin America as these favorable conditions end, as increased protectionism cuts Latin American exports, and as new foreign financing for Latin America dries up.

If interest rates remain high, a certainty if the huge U.S. budget deficits continue, the problems for Latin American nations will get worse. If the impressive U.S. growth in 1984 gives way to renewed recession, and recovery in Europe fails to pick up, the effects on Latin America will be devastating. It is hard to justify easy optimism about Latin America's economic prospects, even in the most advantaged countries.

OVERBLOATED PUBLIC BUREAUCRACIES

Two, it is true that leaders, including the technocracy, in most Latin American nations have come to recognize that overbloated public bureaucracies need to be trimmed, and that foreign direct equity investment is in some situations preferable to foreign lending as a means of obtaining capital.

This evolution of Latin American thinking, based on the experience of a generation, is positive in terms of Latin America's economic prospects and of United States-Latin American economic relations. But recent administration pressures on Latin America to provide the conditions for expanding U.S. investment go much too far.

It is likely that the state's economic role will be increasingly central during Latin America's economic crisis of the 1980's, and it is also likely that pressures to limit foreign investors and their prerogatives will build up again, especially if overbearing U.S. pressures come into play.

REGIONAL TURN TOWARD DEMOCRACY

Three, the regional turn to democracy in Latin America is heartening, and it is consistent with U.S. values and long-range U.S. interest, as I have argued in the past before this committee and elsewhere.

But it is ingenuous in the extreme for the Reagan administration to take credit for this trend, which has occurred primarily for domestic reasons and in some cases despite U.S. apprehension.

Latin America's popularly elected regimes will need to be responsive to an increasingly frustrated public. Continued austerity will be required, and will be perceived as imposed by foreign banks, international agencies, and the U.S. Government.

Under these conditions, the democratic regimes of Latin America may well clash with Washington more often than their authoritarian predecessors.

CONTADORA INITIATIVE

Four, one can take some encouragement from Jose Napoleon Duarte's record during his first year as President of El Salvador, especially from the fact that negotiations, or at least "dialog," between his government and the insurgent left have begun; from the evidence that the Sandinistas in Nicaragua are somewhat more interested in contact and compromise with their opponents that was the case a year or two ago; and that the Contadora initiative by Mexico, Venezuela, Colombia, and Panama has made real progress during the last 2 years toward defining the specific elements of a viable plan for regional peace.

But each of these welcome advances is clouded. The dialog in El Salvador seems to have stalled, in part because of opposition to compromise by El Salvador's Armed Forces and right wing elements in that country.

The Sandinistas were unwilling or unable to incorporate leading elements of the opposition in Nicaragua into their national elections in November 1984, and the Nicaraguan insurgents are now stepping up that country's civil war.

When the Contadora nations achieved an important, if limited, breakthrough in October by gaining Nicaragua's assent to a draft peace treaty, the immediately hostile reaction from Washington belied the ambivalence, at best, of U.S. support for the Contadora process.

The Central American crisis is far from resolved. Violence within the region may well escalate and widen in the next months and years. Pressures for more extensive U.S. involvement in Central America are already rising.

GRENADA INVASION

Five, general public support of the Grenada operation in the United States and acquiescence in Latin America were closely tied to the unique characteristics of that episode: Quick and massive military occupation of a ministate without an effective armed force, in the midst of political chaos, with no functioning local authorities to oppose, and with the plausible argument that a group of U.S. students were endangered.

These laboratory conditions for a successful U.S. intervention are unlikely to repeat themselves soon, least of all in the highly mobilized, polarized, and militarized conditions of Central America today.

My first point, then, is that easy assumptions that appear to prevail in Washington about Latin America and about the state of United States-Latin American relations are misplaced. I had the opportunity just last Friday evening to ask Assistant Secretary Motley—at a conference for journalists we both addressed in San Diego—whether he believes the next 5 years will be a more conflictive or less conflictive period in United States-Latin American relations.

His characteristically quick and confident answer—that this will be a period of less conflict, especially with South America—does not stand up to critical analysis, I submit.

Let me turn now to the future, to speculating about the likely state of United States-Latin American relations over the next 5 years, assuming that current U.S. policies are continued.

I am frankly deeply concerned, and I believe that many Latin Americans and many others in the United States who care about inter-American relations share this concern.

Let me spell out what I fear could happen during the next several years, if current policies are continued.

LONG-TERM POLICIES TO DEAL WITH THE DEBT CRISIS

First, failure by the international financial community, international institutions, the U.S. Government, and the Latin American nations to work out an intermediate and longer-term positive and forward looking set of policies for restructuring and extending Latin America's debt on terms that allow real and perceptible growth to resume there will leave Latin America vulnerable in both economic and political terms.

If U.S. growth slows, and interest rates rise, Latin America's economies will again be in severe trouble. Excruciating pressures on Latin America's balance of payments will lead to further costly reductions in U.S. exports, and probably to delays, moratoria, or even defaults by some countries on payments of their debts. This would, in turn, mean serious problems for individual U.S. banks and even posssibly for the entire U.S. banking system.

Mounting economic difficulties could push Latin America in the next few years from increasingly open and democratic politics back to authoritarianism, as governments contend with mounting unrest, and in some cases with terrorism and insurgency.

Such regimes will need to seek legitimacy. Some may find it plausible to do so by rallying public opinion against the external forces—the banks, the international agencies, and the Government of the United States—they will deem responsible for their country's woes. In some cases, prolonged economic hardship could lead to ultranationalist, populist and autarchic policies.

Deteriorating conditions in Mexico, Central America, and the insular Caribbean, moreover, could increase pressures for emigration during a period when restrictionist sentiments in this country are on the rise. Intensified conflict over immigration is predictable.

Finally, as I have already indicated, the Central American situation may well deteriorate. As long as the real U.S. objective in Central America is to defeat the Sandinistas, the Contadora intitiative to forge a regional peace has no real chance of success. Conflict over Central America between the United States and the Contadora nations is likely to increase, therefore.

POSSIBILITY OF U.S. INTERVENTION

Despite repeated official assurances to the contrary, direct U.S. military intervention in Central America could still occur. If it does, this would polarize not only the immediate region but much of the rest of Latin America.

A U.S. military intervention in Central America would fuel long-smoldering anti-U.S. movements in many countries. By strongly reinforcing deep tensions over trade, finance, and immigration, it could drive Mexico in particular into a period of intense nationalist conflict with the United States.

A U.S. intervention could also cripple the Organization of American States and other inter-American institutions. Already weak if not moribund, these hemispheric organizations could not easily survive another U.S. military intervention.

If all these possibilities were to occur and to interact with each other, U.S. relations with the other countries of the hemisphere would reach an unprecedented level of hostility. If Latin America's economic and financial crisis worsens; if social unrest and terrorism increase; if some Latin American countries turn back to authoritarianism, this time perhaps with a national populist orientation; if U.S. investors, exporters, and banks clash with Latin American governments pursuing autarchic policies; if U.S. protectionism worsens; if tensions over migration escalate; if the United States gets more embroiled in Central America and especially if U.S. troops invade the region, the impact on inter-American relations would be devastating.

The grisly scenario for conflict I have just sketched out is by no means inevitable. Indeed, as I have sketched it out, with problems allowed to cumulate and to exacerbate, it is implausible, for I believe that course corrections would be introduced pragmatically as conditions worsened.

But the point I want to underline is that the elements exist for a very turbulent period in United States-Latin American relations, and that they are due in part to U.S. policies, and especially to the absence of a comprehensive and positive U.S. approach to the hemisphere's crisis of debt and trade.

I want to conclude on a more positive note, however. I believe that a real chance still exists to reverse the drift and deterioration in United States-Latin American relations in the mutual interest of the United States and its neighbors to the south.

Economic, demographic and political tendencies in the region that would fuel conflict might also, with proper policies, help build cooperation.

Latin America and the United States need each other in this period more than ever before. Our national prospects and Latin America's economic prospects will be significantly affected by whether we can find solutions to the debt situation that allow Latin America's growth to resume, and to enable U.S. exports to Latin America to pick up again.

Important potential complementarities of interest also exist when it comes to investment and immigration, as well as to a number of shared problems of the hemisphere: energy, resource management, arms control, and combating narcotics and terrorism.

I believe that positive U.S. policies could bring about cooperative efforts to deal with these problems.

I agreed with a number of the things that Dr. Bailey was saying. Certainly, we need to concentrate on the debt situation. The U.S. Government cannot single-handedly solve the severe problems of the debt; but no structural reform that goes beyond ad hoc alleviation of immediate pressures is going to work, unless the U.S. Government becomes actively involved.

First, the United States must set its own house in order by getting control of the deficit.

Second, we need to work with Latin American countries to restructure the debts of the developing nations.

Third, the United States must counter protectionism in this country, and in the industrial countries more generally.

Fourth, it is important for the United States to help facilitate U.S. investment in Latin America in a nonimposing way.

Each of those four steps is within the capability of the U.S. Government, the financial institutions and commercial banks and private investors.

If taken together, these four steps would be in the interests of all, and decidedly in the interests of Latin America.

[Mr. Lowenthal's prepared statement follows:]

George Holliday and
Arlene Wilson

Trade Issues: An Overview

Major Issue Forum

The 100th Congress has begun a major debate on the causes and consequences of record U.S. trade deficits and on the future direction of U.S. trade policy. The U.S. trade deficit grew from $40 billion in 1981 to a record $148.5 billion in 1985 and about $170 billion in 1986. At 4% of GNP, the trade deficit is unprecedented in both its size and the speed with which it grew.

The trade deficit is largely a product of macroeconomic policies, which, through their effects on exchange rates, have made it difficult for U.S. producers to compete in international markets. Macroeconomic policies contributed to the dollar appreciation against the Japanese yen and European currencies from 1980 to early 1985, to the differing rates of economic growth among industrial countries, and to the debt problems of some less developed countries (LDC), all of which caused the trade deficit to increase.

Many observers attribute U.S. trade problems to foreign unfair trade practices, such as export subsidies and import restrictions, and to allegedly inadequate U.S. policies on trade and competitiveness. Such policies may affect bilateral trade balances or the ability of individual producers to compete internationally. They do not, however, appear to be an important cause of the trade deficit. Unfair trade practices have existed for a long time, while the trade deficit has increased dramatically only in the past few years.

Most forecasts indicate that the trade deficit will decline slowly and that some U.S. producers will continue to suffer adverse effects from foreign competition. Consequently, there is likely to be continued pressure to enact trade legislation and take other measures to address U.S. trade problems.

The dollar appreciated substantially, both in real and nominal terms, against the Japanese yen and the European currencies from 1980 to early 1985. Japan and Western Europe represent about 40% of U.S. bilateral trade, and compete with the U.S. in markets of other countries. The large dollar appreciation was caused primarily by large net capital inflows into the U.S. over this period, which increased the demand for dollars on the foreign exchange market.

Net capital inflows, in turn, resulted mainly from the large U.S. budget deficit, which, combined with relatively low domestic saving, increased real interest rates in the U.S. At the same time, tight budgets kept real interest rates low in the other major industrial countries. The improved investment climate in the U.S. after passage of the Economic Recovery Tax Act of 1981, as well as the perception that the U.S. was a "safe haven" for foreign funds, probably also contributed to net capital inflows.

A stimulative budget policy also contributed to the relatively robust economic recovery in the U.S., while restrictive budgetary policies contributed to sluggish economic growth abroad. Strong U.S. economic growth stimulated U.S. imports, while foreign imports (U.S. exports) remained weak. Furthermore, the U.S. has a greater marginal propensity to import than many other countries: each 1% growth in GNP increases U.S. imports by about 2 to 2.5%, while in Japan, each 1% growth in GNP increases imports by 1%.

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Since the dollar's exchange rate is determined mainly by macroeconomic policies in the U.S. and abroad, coordination of policies with other countries may be the most effective policy for addressing the trade deficit. International coordination of policies, however, is difficult to achieve. Countries must agree on the economic framework with which to analyze economic developments, on the economic outlook, and on the importance of exchange rates to their economies. Moreover, they must have the political will to coordinate policies.

Since the dollar's exchange rate is mainly determined by macroeconomic policies in the U.S. and abroad, coordination of policies with other countries may be the most effective policy for addressing the trade deficit.

From 1980 through 1984, the Administration did not take an active role in exchange rate determination. Dissatisfaction with the growing trade deficit led to congressional initiatives to require the Administration to take action on the dollar. In the 99th Congress, for example, a provision of H.R. 4800, a comprehensive trade bill passed by the House, would have made exchange rate stability an important policy goal in the U.S. and increased the accountability of the Administration for economic policies that affect the exchange rate. A key provision would have required the U.S. Treasury to determine the "competitive exchange rate," defined as the set of rates that would be "consistent with an appropriate and sustainable balance in the current account."

In 1985, the Administration adopted a more active role in exchange rate policy. Of most importance, the U.S. initiated the Plaza Accord of September 22, 1985, in which the U.S., Japan, Germany, the United Kingdom, and France agreed to continue policies that would reduce the value of the dollar. In addition, since late July 1986, the U.S. Government has been engaged in informal discussions with the governments of Taiwan and South Korea regarding their undervalued exchange rates. Some progress has been made, as evidenced by the appreciation of the Taiwan dollar by about 6% against the U.S. dollar between the end of July and December 1986. The Korean won appreciated 2% against the U.S. dollar over the same period.

The Administration argues that the large dollar depreciation against the major industrial countries since February 1985, and the steps that have already been taken by the Administration to reduce the dollar's value, eliminate the need for congressional action. Congressional concern with exchange rate policies, however, remains strong. A key question for Congress is how to require the Administration to give high priority to exchange rates without unduly reducing the Administration's flexibility in adjusting policies to changing circumstances.

Debt Problems of LDCs

Tight monetary policies in the U.S. and other industrial countries from 1979 to 1982 led to a world recession and high real interest rates, both of which contributed to the LDC debt problem. Debtor countries' exports fell, and, at the same time, their interest payments on their debt rose. The debt problem erupted in 1982 when Mexico became unable to service its international debt. Other Latin American countries soon followed. Austerity measures in the debtor countries forced them to curtail their imports. Largely as a result of debt problems, U.S. exports to Latin America fell from $34 billion in 1982 to $31 billion in 1985, while U.S. imports from Latin America rose from $40 billion to $49 billion over the same period.

A variety of proposals have been introduced to alleviate the debt burden. Currently, the two most widely discussed plans are the Baker Plan and the Bradley Plan. Secretary of the Treasury James A. Baker proposed in October 1985 that the commercial banks and the World Bank provide $29 billion in new money to 15 debtor nations over the next three years. In June 1986, Senator Bill Bradley proposed interest rate relief of perhaps three percentage points a year plus an annual three percent write-down of principal on all outstanding commercial bank and bilateral government loans. Both the Baker Plan and the Bradley Plan require the debtor countries to undertake economic reforms.

Trade Policy

Although the trade deficit is in large part a product of macroeconomic conditions, much of the debate in Congress and elsewhere has focused on U.S. trade policy and other policies that affect the international competitiveness of U.S. producers. Many observers attribute U.S. trade problems, in part, to shortcom-

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ings in U.S. trade policy and to the absence of effective policies to address a progressive loss of international competitiveness of many parts of the U.S. economy. They frequently advocate a larger Government role in protecting domestic industries, promoting exports, and facilitating structural adjustment of domestic producers to international competition.

Supporters of more interventionist U.S. trade policies advance several rationales. They believe that it is in the interest of the U.S. to provide greater protection for workers and firms seriously injured by import competition. They reason that many U.S. producers cannot compete with their low-wage counterparts in foreign countries, or that they need time to adjust to foreign competition. Therefore, they maintain that the Federal Government must intervene to enhance the competitiveness of U.S. firms at home and abroad. They also argue that new initiatives are needed to create a fairer world trading system, which will promote trade and benefit all countries. In short, they believe that current U.S. trade policies and other policies affecting the competitiveness of U.S. producers are not effectively promoting key U.S. economic interests.

Advocates of more interventionist policies frequently base their arguments on the perception that foreign governments, such as those of Japan and the newly industrializing countries, have succeeded in actively influencing trade flows to improve domestic economic performance. Such countries, they suggest, have benefited from export-led growth strategies that couple activist targeting of export industries with restrictive import policies. What is needed, some observers claim, are tough U.S. trade policies that both open such foreign markets for U.S. exporters and emulate some of the successful export policies employed by foreign governments.

Others have criticized some of the proposed changes in policy on the grounds that they are protectionist or that they do not respond to the fundamental causes of the trade deficit. They maintain that some of the proposals will restrict trade flows, lead to foreign retaliation, and ultimately reduce economic growth in the U.S. and abroad. Moreover, they contend that monetary and fiscal policies, through their effects on exchange rates, have generated the deficits. In particular, they point to U.S. budget deficits as the primary cause of trade deficits. Consequently, they argue that changes in macroeconomic policies, not trade policy initiatives, are the appropriate way to address U.S. trade difficulties.

In part, the current trade debate is a continuation of the traditional debate over the advantages of free trade versus protectionism. Advocates of policies to protect domestic producers have long argued that such protection is warranted by the need to protect infant industries, safeguard national security, maintain jobs or the standard of living of U.S. workers, or pursue other economic, political, or social goals. Some observers advocate protectionist policies to reduce the U.S. deficit: limiting U.S. imports, they claim, will help to balance U.S. international payments.

The central argument against protectionism is based on economic efficiency: the erection of barriers to trade distorts patterns of production and consumption, leads to an inefficient use of resources, and, ultimately, to a reduction of economic growth and a loss of jobs. While a government may achieve desirable goals through protection of domestic producers, it can do so only by imposing costs on its own economy or on the economies of its trade partners. By protecting certain domestic producers, for example, a government may drive up the value of its currency against other currencies, making its exports less competitive. It may also invite retaliation by foreign governments. Free trade advocates maintain that exchange rate adjustments and foreign retaliation will counteract the effects of import barriers, thus sustaining the U.S. trade imbalance.

What is needed, some observers claim, are tough U.S. trade policies that both open such foreign markets for U.S. exporters and emulate some of the successful export policies employed by foreign governments.

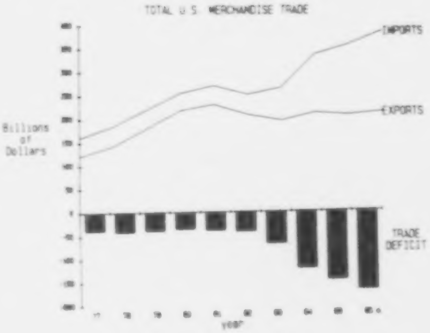
Not all the proposals for changing U.S. trade policies are intended to reduce competition or trade volume. Some proposed changes to U.S. trade laws are intended to give the President greater leverage in negotiating a reduction of foreign trade barriers. Supporters of such proposals argue that, by giving the President greater authority to retaliate against foreign unfair trade policies, U.S. trade laws could promote a fairer and freer world trading system. Other proposed changes are designed to ensure temporary import relief, combined with government assistance to workers and firms to facilitate adjustment to foreign competition. Supporters argue that such changes could ease the costs of adjustment and build popular support for free trade policies. Still other proposals would promote U.S. exports by easing regulatory barriers or providing government assistance to exporters. Supporters of export promotion initiatives argue that they would generate more trade.

The latter proposals have also engendered opposition in Congress and the Reagan Administration. Opponents are concerned that, while the intent of such proposals may not be "protectionist," their effects may be to increase barriers to and distortions of trade. They argue, for example, that retaliation against unfair trade barriers may lead, not to reduced trade barriers, but to reduced trade. They maintain that temporary import relief too often becomes permanent protection. Some observers also oppose Government assistance to domestic producers injured by import competition or to exporters. They argue that such programs are an improper intervention by the Government in the economy and an ineffective means of addressing trade problems.

Although it seems reasonable to expect that dollar depreciation since February 1985 will ultimately reduce the trade deficit substantially, the decline will occur slowly.

Much of the trade debate relates to policies that pertain only indirectly to trade. Some observers think that the trade deficit reflects a long-term decline in the ability of U.S. producers to compete in the international market place. They attribute the loss of U.S. competitiveness to such factors as sluggish technological change, poor productivity performance, inadequate savings and investment, regulatory barriers to exporting, and shortcomings in education. To address such problems, they propose changes in a broad array of Government policies and programs.

To the extent that policies to improve competitiveness are successful, they can make an important contribution to the economic welfare of the Nation. Better education and technological progress, for example, can spur productivity, increase economic growth, and improve the standard of living. Policies that facilitate adjustment to foreign competition can ease the plight of workers who might otherwise lose their jobs and firms that might otherwise go out of business. Successful adjustment policies can also build support for efforts to establish a more open international trade system. Policies that improve the competitiveness of certain U.S. industries might contribute significantly to U.S. national security. Most economists believe, however, that many measures to improve the competitiveness of U.S. producers though they may be successful in achieving other goals, cannot contribute significantly to reducing the U.S. trade deficit.



e = Estimated by CRS based on January-November 1986 data.

Source: U.S. Department of Commerce. Bureau of the Census. Highlights of U.S. Export and Import Trade. FT990. Various issues.

1987 Trade Deficit Outlook

Although it seems reasonable to expect that the dollar depreciation since February 1985 will ultimately reduce the trade deficit substantially, the decline will occur slowly. Administration economists currently predict that the trade deficit will decline from $170 billion in 1986 to about $130 to $140 billion in 1987. The Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) project very little improvement in the U.S. trade deficit in 1987.

Many economists attribute the persistence of the trade deficit to a "J-curve effect." Dollar depreciation immediately raises the price of imports, but does not cause a decline in the volume of imports for some time, thus initially increasing the value of imports and widening the trade deficit. Dollar depreciation may take up to two years to fully affect trade flows. Furthermore, the dollar has remained strong, in real terms, against most of the other currencies in the world since the substantial depreciation of February 1985. The currencies of many of our important trading partners, such as South Korea and Taiwan, are closely tied to the dollar and do not float freely.

During the period of dollar appreciation, many U.S. firms began producing inputs abroad. To the extent that foreign production is costly to reverse, U.S. imports may remain high. In addition, U.S. import prices (in dollars) have remained steady, despite the dollar depreciation. Apparently foreign exporters are reducing their profit margins instead of raising the dollar prices of their exports in order to maintain market shares. Foreign exporters are able to reduce profit margins because profits were exceptionally high when the dollar was high. At some point, however, foreign exporters will be forced to raise prices, and U.S. imports will ultimately decline.

The OECD projects economic growth rates of 3% in the U.S. and Germany and 2¾% in Japan for 1987. Economic growth rates are continuing the convergence that began in 1985, and may provide some, but probably not a substantial, impetus to U.S. exports.

It appears that the debt problems of the developing countries remain serious enough to require continued curtailment of their imports. Consequently, the U.S. will probably not be able to increase its exports to Latin America much over the $31 billion that were exported in 1985.

Several special factors will help keep the trade deficit high. Relatively low international oil prices will utimately reduce U.S. production and will stimulate the consumption of oil instead of competing energy sources. Consequently, dependence on oil imports will likely increase. In addition, given the worldwide surplus of agricultural commodities, it will be difficult to increase U.S. agricultural exports substantially.

Issues in 1987

Several factors suggest a substantial effort to pass major trade legislation in the 100th Congress:

- the persistence of the trade deficit;
- the fact that the 99th Congress did not complete action on many proposals for trade law reform;
- the perception of many in Congress that the Administration's initiatives in trade have been ineffective in responding to the country's trade problems;
- the Administration's need for Congress to renew its authority to complete the new round of trade negotiations on the General Agreement on Tariffs and Trade (GATT); and
- statements by Senate Democratic leaders that they will use their new majority status to pass a trade bill.

The articles offered here address policy matters that are likely to be central to the trade debate in the 100th Congress. They highlight issues related to the proposed changes in U.S. trade laws and the conduct of trade negotiations. They examine the influence of international debt on U.S. trade, the relationship between trade and domestic employment, and the dilemmas that policymakers confront in choosing between conflicting goals of trade policy and foreign and national security policies. Several articles explore issues of U.S. competitiveness and their relationship to the trade deficit. Two case studies analyze the specific problems of U.S. agricultural producers trying to compete in foreign markets and of U.S. textile manufacturers trying to adjust to import competition. A list of currently available CRS products on trade matters concludes the presentation. ☐

The International debt problem: options for solution, by Patricia Wertman. Washington, Congressional Research Service, 1986. 38 p. (CRS Report 86-922 E)

ABSTRACT

Since the onset of the international debt problem in 1982, various proposals have been put forward for solving the problem. Some of the major proposals, including the "Baker Plan" and the Bradley proposal, are analyzed in this report. In addition, criteria for evaluating solutions to the debt problem are also suggested.

CONTENTS

ABSTRACT ii

THE INTERNATIONAL DEBT PROBLEM: PROPOSED SOLUTIONS 1

BACKGROUND 1

CRITERIA FOR EVALUATING DEBT PROPOSALS 3
- Costs and Responsibilities 5
  - The Debtors 5
  - The Commercial Banks 6
  - The Creditor Nations 7
- Simplicity 8
- Flexibility 9
- Commitment 9

PROPOSALS FOR NEW FINANCING 9
- The Baker Plan 9
  - Analysis of the Baker Plan 10
  - The Politics of the Baker Plan 13
- The Economist Proposal 13
  - Analysis of The Economist Proposal 14
- The Lever Proposal 15
  - Analysis of the Lever Proposal 16

PROPOSALS FOR LIMITING DEBT SERVICE 16
- Stretch-outs 17
  - The Bogdanowicz-Bindert Proposal 17
    - Analysis of the Bogdanowicz-Bindert Proposal . . . 17
  - The Rohatyn Proposal 18
    - Analysis of the Rohatyn Proposal 18
  - The Zombanakis Proposal 20
    - Analysis of the Zombanakis Proposal 20
- Other Proposals 22
  - The Bailey Proposal 22
    - Analysis of the Bailey Proposal 22
  - Interest Rate Cap 24
    - Analysis of Interest Rate Caps 24
  - The Kerry Proposal 24
    - Analysis of the Kerry Proposal 25

PROPOSALS COMBINING DEBT SERVICE RELIEF AND WRITE-DOWNS 26
The Bradley Proposal 26
Analysis of the Bradley Proposal 27
The Kenen Proposal 29
Analysis of the Kenen Proposal 30
The Schumer Proposal 31
Analysis of the Schumer Proposal 31

DEBT REPUDIATION: THE CASTRO PROPOSAL 32
The Castro Proposal 33
Analysis of the Castro Proposal 34

CONCLUSION 37

THE INTERNATIONAL DEBT PROBLEM: PROPOSED SOLUTIONS

In 1982, many developing countries found themselves unable to service their international debt. The response was to provide additional financing in conjunction with economic adjustment programs to be carried out under the supervision of the International Monetary Fund (IMF). Four years later, it is clear that these austerity programs have only partly succeeded. Current account balances have improved dramatically. But debt levels are now higher than in 1982. The capacity to pay has not been improved, and creditworthiness has not been restored. Moreover, the austerity programs have had serious domestic consequences for the debtor nations. Economic growth in the developing countries in the 1980s has slowed dramatically. Per capita incomes have fallen sharply, and unemployment has risen. These consequences may well be unsustainable for the debtor nations.

The debt problem has also hurt the creditor nations. In order to generate trade surpluses, the debtor nations have severely compressed imports while simultaneously pushing exports. The resulting distortion of international trade patterns contributed to the enlargement of the U.S. trade deficit.

The continuing adverse impact of the debt problem on both debtor and creditor nations has led to a reappraisal of the strategy used in dealing with the problem between 1982 and 1985. The Reagan Administration's reappraisal is embodied in the "Baker Plan." The Baker Plan, as well as other solutions which have been put forward since the onset of the 1982 crisis, are analyzed in this paper. The proposals are evaluated in the light of suggested guidelines which appear at the beginning of the paper. Particular attention is paid to how each proposal allocates costs.

BACKGROUND

The build-up of debt by the less developed countries (LDCs) accelerated rapidly following the first dramatic oil price rises of 1973-1974. Borrowing abroad enabled non-oil producing developing countries to finance their oil imports and their development plans, while oil producing LDCs borrowed against anticipated revenues. In the inflationary environment of the 1970s, with a depreciating dollar and low or negative real interest rates, such borrowing was generally considered sound. Moreover, banks in the industrial nations were urged by their governments to "recycle" the petrodollar deposits of the oil exporting countries. According to the OECD, the pattern of borrowing which emerged during this period remained "comparatively strong and stable" until 1978.

The oil price increases of 1979 were the first of several economic blows which destabilized the existing borrowing pattern. In late 1979, the tightening of U.S. monetary policy in order to combat domestic inflation led to historically high real interest rates, both domestically and internationally, and to an appreciating dollar. Effectively, this meant that borrowing countries paid more on the debt which they had earlier contracted. Furthermore, the global recession of 1981-1982 diminished the exports of the LDCs and, hence, their ability to earn foreign exchange. Moreover, with commodity prices dropping and the cost of their imports still rising, the terms of trade of the LDCs became increasingly unfavorable.

The LDCs began experiencing growing current account deficits.1/ Either economic adjustment leading to the reduction of these deficits had to occur or the deficits had to be financed by more borrowing. For the most part, the latter path was chosen and external debt continued to grow rapidly. As external debt reached levels which were unsustainable, the banks became less willing to lend on a long-term basis. Thus, an increasing amount of Third World debt became short-term, setting the stage for a liquidity crisis caused by a sudden withdrawal of credit. In August 1982, Mexico provided the trigger for just such a crisis.

The Mexican financial crisis not only triggered the international debt crisis of 1982, but it set the pattern of response for handling the debt problem. This response has been primarily three-pronged, involving the International Monetary Fund (IMF), the commercial banks, and the debtor countries themselves. The IMF and the commercial banks provided financing while the debtor nations agreed to economic policy changes. These changes, usually in fiscal, monetary, and exchange rate policies, were intended to lead to external adjustment. This three-pronged approach initially brought positive results; current account deficits were dramatically reduced.

As mid-1985 approached, the external debt situation of the Third World was again deteriorating, despite three years of adjustment programs. 2/ Absolute debt levels were still rising, in part because of the nature of the debt rescue itself. Current account deficits, which dropped dramatically in both 1983 and 1984, rose slightly in 1985. The rate of increase of commercial bank lending to developing countries was slowing, actually declining in the first quarter of 1985, the first such decline since the Bank for International Settlements began collecting data in 1963. The countries themselves were finding it increasingly

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1/ The current account of the balance of payments consists of the export and import of goods and services and unilateral transfers. A current account deficit is the amount by which a country's exports of goods and services and inward transfers fall short of its imports of goods and services and outward transfers.

2/ See U.S. Library of Congress. Congressional Research Service. Current Debt Servicing Capacity of the "Baker Plan" Fifteen. Report No. 86-641 E, by Patricia Wertman. Washington, March 31, 1986. 28 p.

difficult to cling to the course of austerity as real wages dropped dramatically and unemployment mounted. Most important, U.S. economic growth, on which the level of LDC exports largely depends, had slowed. In these circumstances, many began to reappraise the existing approach to solving the international debt problem.

CRITERIA FOR EVALUATING DEBT PROPOSALS

This reappraisal not only brought forth the Baker Plan and the Bradley proposal, but it also suggested the need for a review of previously proposed solutions to the debt problem. The issues which the various proposals seek to address are many and complex, reflecting the debt problem itself. In an effort to sort through these issues and provide background for examination of the specific proposals reviewed in this paper some broad guidelines are developed here. These guidelines focus on the issues of costs and responsibilities, simplicity, flexibility, and commitment.

Politically, the most sensitive issue is the allocation of costs; it is also the most central of the four issues elaborated here. Basically, the issue is: Who pays the costs of a solution? A related issue is: How does the allocation of costs relate to the responsibilities of the participants in creating the debt crisis? What responsibilities do the participants have in solving the crisis?

Other questions which are addressed in this discussion of criteria and in the examination of individual proposals include: How simple is this proposal to implement? How flexible is it? Does it treat all debtors alike or does it recognize differences? Can the proposed solution adapt to adverse developments in the global economy? Is this a short-term solution or a long-term solution? Does it view the debt problem as a liquidity issue, a solvency issue, or both?

In addition, a matrix summarizing the major characteristics of the thirteen proposals for solution which are examined here appears on page 4. 3/ This is intended to ease comparison, as well as summarize the individual proposals. The characteristics selected for inclusion in the matrix are:

-- limiting debt service,
-- requiring an economic adjustment program of the debtors,
-- creating a new agency or organization,

3/ The proposed solutions examined in this paper were suggested by, alphabetically by last name: Secretary of the Treasury James A. Baker, Norman A. Bailey, Christine Bogdanowicz-Bindert, Senator Bill Bradley, Premier Fidel Castro, Professor Peter B. Kenen, Senator John F. Kerry, Lord Harold Lever, Felix Rohatyn, Representative Charles E. Schumer, and Minos Zombanakis. In addition, a proposal by The Economist and an interest rate capping proposal are also examined. In the text of the paper, the proposals will be referred to by the last name of their author.

CHARACTERISTICS OF DEBT PROPOSALS

PROPOSAL	LIMITS DEBT SERVICE	REQUIRES ECONOMIC ADJUSTMENT PROGRAM OF DEBTOR	CREATES NEW AGENCY/ ORGANIZATION	EXPLICIT OR IMPLICIT CREDITOR GOVERNMENT GUARANTEE	RESCHEDULES DEBT/ DEBT SERVICE	NEW FINANCING	CREATES NEW FINANCIAL INSTRUMENT	WRITES-OFF PRINCIPAL	CREATES SECONDARY MARKET	REPUDIATION OR DEFAULT
"BAKER PLAN"		X				X				
BAILEY	X	X					X		X	
BODGANOWICZ-BINDERT	X	X	X	X	X	X	X			
BRADLEY	X	X						X		
CASTRO										X
THE ECONOMIST						X			X	
INTEREST RATE CAP	X									
KENEN	X	X	X	X	X		X	X	X	
KERRY	X		X	X	X					
LEVER		X	X	X		X				
ROHATYN	X		X	X	X		X			
SCHUNER	X							X		
ZOMBANAKOS	X	X	X	X	X	X				

-- containing an explicit or implicit creditor government guarantee,
-- rescheduling debt or debt service,
-- providing new financing,
-- creating a new financial instrument,
-- writing-off principal,
-- creating a secondary market, and
-- repudiating or defaulting on existing debt.

These characteristics are listed both here and in the table in order of their incidence, with recommendations to limit debt service being the most frequently recommended characteristic.

Costs and Responsibilities

The Debtors

The debtor countries are experiencing a net financial outflow. 4/ Export revenues are falling. These financial constraints have required the debtor countries to continue to compress imports, achieved largely through decreasing aggregate demand by means of restrictive fiscal and monetary policies. The result has been little economic growth. Per capita incomes have fallen. The debtor countries cannot continue to sustain the high domestic costs imposed by the debt problem. Any solution to the debt problem needs, therefore, to ease financial constraints, allowing the debtors both to service their debt and to grow. This can be achieved either by increasing financial inflows or decreasing financial outflows or both. The Baker Plan depends on new financing. The approach suggested by most proposals, on the other hand, is to limit debt service. Finally, three proposals, most notably, the Bradley proposal, combine debt service limitation with a reduction of the debt level through a write-down.

The debtor countries, however, contributed substantially to the development of their external debt problem by pursuing unwise economic policies. A continuation of inappropriate economic policies would ensure the continuation of debt servicing difficulties. Thus, any solution to the debt problem needs to encourage and support the debtor nations in their undertaking of difficult economic reforms. The issues are the speed at which reform will occur and the extent to which it will be self-directed. While the debtor nations have frequently resented intervention by the IMF and other creditors, a lasting solution to the debt problem is likely to involve some form of monitoring or conditionality. Most of the proposals recognize this by requiring an IMF standby.

4/ In 1985, long-term debt service exceeded new long-term lending by more than $20 billion. World Bank. World Debt Tables. 1985-1986 ed., p. xviii.

The Commercial Banks

As Stuart Tucker has suggested, the banks have no interest in allocating costs fairly. Their concern is, appropriately, with their profits and exposure. 5/ Moreover, healthy profits and a good capital base are the best insurance that the banks have of their ability to undertake the costs of the debt problem. The banks, therefore, will do whatever they can to evade the costs of the debt problem and protect their profits. Nevertheless, the banks have, in fact, incurred a considerable amount of the costs. They have sustained the losses associated with rescheduling and arrearages, and they have participated in involuntary new lending packages. They have done so in order to improve the quality of their assets.

Bank exposure in developing countries relative to capital is declining, although it remains considerable in the case of the money center banks. Moreover, the rate of bank lending to developing countries has slowed dramatically. The banks have apparently concluded that continued involvement in lending to the Third World is not attractive. They are, therefore, slowly extricating themselves from the LDC debt problem. Thus, the incentives to the banks to accept the costs of continued attempts to solve the international debt problem must, if anything, be greater than they were in 1982. In particular, the perceived, but non-quantifiable, improvement in the banks'assets must exceed the direct costs of a solution. Solutions which suggest a substantial write-down or significant interest rate relief are likely to be strongly resisted because their direct costs are likely to be high. Moreover, the banks will not swap assets unless the swap is attractive. Finally, they can not arbitrarily be deprived of their assets; bank participation must be voluntary. 6/

Greater write-offs and reserve provisions have been taken by banks in other countries, operating under different regulatory regimes. In addition, more flexible regulatory guidelines have recently been applied to banks with problem farm and energy loans. This suggests that perhaps the best incentive toward solving the debt problem which could be offered to U.S. banks involves changes in the regulatory and accounting treatment of write-offs and the tax treatment of reserves. The Bradley proposal, in particular, suggests an examination of regulatory practices.

Finally, it must be emphasized that the commercial banks of the creditor nations are, in part, also responsible for creating the LDC debt problem. Appropriately, they should be expected to accept some

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5/ Tucker, Stuart K. Statement contained in U.S. Congress. House. Committee on Banking, Finance and Urban Affairs. Subcommittee on International Development Institutions and Finance. Third World Debt Legislation. Hearings, 99th Congress, 2nd Sess. Washington, U.S. Govt. Print. Off., 1986, p. 177. (Hereafter cited as Tucker, Statement.)

Hearings held March 12, 18, 19, and 10, 1986.

6/ Cline, William R. Bradley's Debt Plan Won't Work. Washington Post, July 17, 1986. p. A19.

of the costs of a solution. Any proposed solution which treats the banks too leniently will be subject to charges of "bank bail-out," an issue which was frequently raised during the 1983 hearings on the proposed IMF quota increase. Moreover, any solution must recognize the problem of "moral hazard," that is, it must not encourage bank imprudence.

The Creditor Nations

In the 1970s, the creditor governments encouraged the commercial banks to intermediate between the developing countries and the oil exporting nations which were building large financial surpluses. In so doing, the creditor governments helped to set the stage for the debt crisis of the 1980s. With the significant exception of the IMF quota increase in 1983, the creditor governments have, however, so far, largely resisted taking on the costs of a solution to the problem. Indeed, total official flows to the Third World have declined slightly since their peak in 1982. 7/ Instead, the costs have been largely sustained by various parts of the private sector, including the exporting sector (such as farmers), which were not involved in creating the problem. The issue, therefore, is the distribution of costs between the public and private sectors of the creditor nations and among various segments of the private sector.

Most of the proposed solutions are intended to foster economic growth in the debtor nations and, hence, increase their imports. This shifts the costs experienced by the exporting and manufacturing sectors of the creditor nations somewhere else. In many proposals, the cost is ultimately shifted to the creditor governments. Assumption of the costs of a solution by the creditor governments implies a more equitable sharing of costs within the creditor nation. It recognizes that the growth-retarding effects of the LDC debt problem have affected the entire nation. In addition, it also implicitly recognizes that the debt problem has foreign policy and strategic ramifications which are properly the concern of the nation as a whole.

The Baker Plan, in which most of the costs are assumed directly by the banks, is a major exception to the pattern of shifting costs to the public sector. Other proposals which are examined below shift the costs to the public sector by directly involving the creditor governments in the solution, for example, by guaranteeing bonds or by providing the capital for a new international institution. These proposals often recognize budgetary constraints by creating contingent liabilities rather than requiring direct budgetary expenditures. The Lever proposal, in particular, potentially shifts the costs to the creditor government by proposing that government export credit agencies insure private bank financing of LDC current account deficits.

7/ Total official flows from the creditor nations, which peaked in 1982 at $35.1 billion, declined marginally to $34.9 billion in 1984. OECD. Development Assistance Committee. Twenty-five Years of Development Co-operation: A Review. 1985 Report. Paris, November 1985, p. 331.

Proposals for substantial write-downs, such as the Bradley and Schumer proposals, which appear to place the burden on the banks, may ultimately shift the costs from the private sector to the public sector by leading to a need for federal assistance to banks endangered by the resulting losses. Indeed, during the Continental Illinois Bank crisis of 1984, the Federal Reserve committed itself to preventing the failure of the largest U.S. banks. It is important to note that the Continental Illinois Bank crisis was sparked by large withdrawals based on rumors of significant losses. Thus, a major write-down which threatened the solvency of the money center banks could, in effect, temporarily result in the de facto nationalization of a significant portion of the U.S. banking system. In addition, such a commitment of government resources is likely to be open-ended.

Beyond any assumption of direct costs for solving the international debt problem, the creditor governments, particularly the United States, have a responsibility to create the kind of international economic environment in which a solution is possible. The level of international interest rates is particularly critical. Since international interest rates are closely tied to U.S. domestic interest rates, the debtor nations have frequently pointed to the U.S. fiscal deficit as the cause of high real interest rates. Recently, these complaints have been largely stilled by the decline in interest rates due to the easing of U.S. monetary policy. Nevertheless, from the point of view of the debtor nations and others, a more balanced mix of U.S. economic policies would contribute to a solution of the debt problem.

Another critical requirement for solution of the debt problem is economic growth in the industrial countries. Economic growth in the industrial countries provides markets for debtor nation exports. As growth has flagged in the United States, the United States has pushed for more stimulative economic policies abroad, particularly in Japan and Germany. This attempt to achieve more balanced international growth through policy coordination among the major industrial nations, intended to ease the U.S. trade deficit, will also contribute both to easing the international debt problem and to world welfare. Finally, resistance to protectionism is also viewed as an urgent requirement for managing the international debt problem.

Simplicity

Existing mechanisms for dealing with the debt problem are cumbersome, straining the resources of both creditors and debtors alike. Any proposal which would simplify these mechanisms without undermining the ability to carefully structure an appropriate response to debtor problems could contribute to an easier solution of the debt problem. The Economist, for example, puts forward a pair of useful proposals which are based on existing mechanisms. They do not, however, represent a comprehensive solution to the debt problem. On the other hand, proposals which suggest the creation of a new international organization may perhaps delay a solution and bureaucratize the response to the problem. Moreover, the difficulty encountered in increasing IMF quotas in 1983 suggests that it may be very difficult to obtain support for the creation of a new international organization.

Flexibility

All debt problems are not the same. In recognition of this, the international debt problem has been dealt with on a case-by-case basis since its onset in 1982. The Baker Plan continues this policy, as would the Bradley proposal. While universally applicable criteria, such as those suggested in the Kerry proposal, may facilitate solution, flexibility in dealing with individual debtor problems is likely to continue to be important. Moreover, any new solution must allow for unforeseen and adverse developments in the world economy, such as a recession in the United States or a global increase in protectionism.

Commitment

Solution of the debt problem may well require sustained commitments to long-term finance by creditors and to economic adjustment by debtors. The international debt problem has lasted for nearly half a decade and has now become chronic. It is a solvency problem as well as a liquidity problem. Troubled debtors have not been restored to creditworthiness, nor are they likely to be soon.

Most of the proposals do not require long-term commitments. One-time stretch-outs, as proposed by Bogdanowicz-Bindert, Kenen, and Rohatyn, provide relief, but they may not free enough resources for debt service and development needs. They are also vague on the issue of new finance. Economic liberalization, a key aspect of both the Baker Plan and the Bradley proposal, also takes time and may also require sustained financial backing to achieve success. Finally, however, the failure of most proposals to structure a long-term solution may merely recognize political realities. Creditors and debtors alike may find making such long-term commitments extremely difficult.

PROPOSALS FOR NEW FINANCING

The proposals examined in this paper are grouped according to how the proposals provide financial resources to the debtor nations, that is, according to how they ease the debt problem. The debt problem can be eased either by increasing financial inflows or by decreasing financial outflows or by some combination of the two. The proposals in this section increase financial flows to the debtor nations by providing new financing. The Baker Plan and the proposal by the Economist largely represent an evolution from the pre-1985 strategy. The Lever proposal, on the other hand, is more original and would require alterations in the operations of existing instutions.

The Baker Plan

The first of the proposals to be examined here is the Baker Plan, the current policy of the Reagan Administration. The plan was dramatically put forward by Secretary of Treasury James A. Baker, III at the IMF-World Bank Annual Meeting in Seoul, Korea on October 8, 1985. Officially called "A Program for Sustained Growth," the proposal charts a new departure in terms of its goals. The steps outlined in the plan are seen as laying the groundwork for sustained economic growth enabling the debtor nations to "grow" out of their debts. The program is an attempt to move beyond the limitations of IMF austerity programs.

Reflecting this new emphasis on growth, the Baker Plan brings the World Bank (International Bank for Reconstruction and Development (IBRD)) and the regional development banks, such as the Inter-American Development Bank (IDB), to center stage in the debt strategy. This is a major departure for the current Administration which has sometimes been a harsh critic of the development banks. The Baker Plan proposes that they lend an additional $9 billion over three years to participating countries. The multilateral development banks are to increase structural adjustment lending, that is, policy-based lending in support of structural economic reforms, rather than their more traditional project lending. Sectoral lending and co-financing with commercial banks and other financial institutions are also expected to increase.

Under the Baker Plan the commercial banks will provide the bulk of the financing, lending $20 billion in new money over the three year period. This represents a yearly increase of about 2.5 percent over current exposure. Of this amount, $7 billion is to come from U.S. banks and $13 billion from non-U.S. banks.

Shortly after presentation of the Baker Plan in Seoul, the U.S. Treasury announced fifteen proposed participants: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia. These countries have a combined debt of $438.2 billion. None of the fifteen have access to voluntary loans. Should they choose to participate, these nations will be required to undertake fundamental structural adjustments which are expected to enable them to grow out of their debt problem. Suggested structural economic reforms are to include such reforms as trade and investment liberalization, privatization of government enterprise, tax reform, elimination of government subsidies, and development of domestic capital markets.

The role of the IMF continues as before. It will continue to provide short-term (up to three years) financing in exchange for macroeconomic adjustments by the borrowing nations, although it too will seek to place more emphasis on growth-oriented adjustment.

Analysis of the Baker Plan

The Baker Plan is the only option for dealing with the debt problem currently receiving Administration backing. Like the preceding debt strategy, it is primarily designed to protect the U.S. banking system. Yet it has shortcomings. The World Bank and the other development banks probably have the financial capacity to generate $9 billion in net new loans over the next three years, but they may not have the institutional capacity and flexibility to extend this amount of new lending rapidly. The World Bank, in particular, is seen as having had leadership problems; its new President, Barber Conable, only assumed office in July 1986, making it too early to evaluate his impact. The Bank has also been accused of being slow-moving and bureaucratic: it (like the IMF) is on the brink of receiving more in interest and principal repayments from its borrowers than it pays out in new loans. 8/ The Bank counters that this is in part cyclical and that the amount of time taken to process a loan ensures the quality of its loans and the viability of the projects which it finances.

Concern has been raised that the rapid expansion of lending might impair the World Bank's borrowing capacity or increase its borrowing costs (via a reduction in its AAA credit rating) and, hence, its future ability to lend. Moreover, the policy-based or structural adjustment lending, which the Baker Plan seeks to increase, is a comparatively new form of lending for the World Bank, although it is compatible with the Bank's microeconomic expertise. Finally, two recent sectoral adjustment loans, to Argentina and Brazil, have been controversial because they are intended to increase agricultural exports which would be competitive with U.S. exports. In any case, the World Bank has been moving ahead to extend the types of loans envisioned under the Baker Plan.

The Baker Plan was intended, in part, to counteract declining commercial bank willingness to lend to troubled Third World debtors. Despite this, the proposed $20 billion increase is modest. The 2.5 percent annual increase in the banks' exposure over three years would actually represent a decrease in lending in real terms. It is also lower than the rate of increase in the banks' capital, leaving them relatively less exposed. Moreover, $13 billion is supposed to come from non-U.S. banks, whose participation is not necessarily affected by U.S. Treasury persuasion.

In response to the request for additional lending, U.S. banks have reportedly asked for regulatory relief if they continue to lend to troubled borrowers. This request was apparently rejected. More important, by encouraging otherwise reluctant banks to continue lending, the Baker Plan raises the specter of a bank "bailout" should these new credits deteriorate.

Some argue that by inserting the U.S. Government as an active participant in the debt problem, the Baker Plan, ipso facto, also risks the politicization of the loan process. It is now the U.S. Government which is negotiating with the debtor nations rather than just the IMF and the commercial banks. Additionally, it involves the United States in the domestic economies of the debtor nations. Both of these aspects carry foreign policy risks for the United States. 9/ Others, however, argue that the U.S. Government's role is much more limited than this, that it is acting merely as a coordinator.

8/ Fleming, Stewart. World Bank on Brink of Taking in More Funds Than Go in Aid. Financial Times, June 23, 1986. p. 2.

9/ Witcher, S. Karene. Risky medicine: Baker's Plan to Relieve Debt Crisis May Spur Future Ills, Critics Say. Wall Street Journal November 19, 1986. p. 1, 19.

A serious risk is that the Baker Plan may worsen the debt problem. A major component of the plan is $29 billion in additional lending from the commercial banks and the development banks, that is, $29 billion in additional debt for the fifteen borrowing nations. The plan assumes that the borrowers will be able to implement successfully the needed reforms in the three years allotted and that, at the end of the three years, they will be better able to service their debt. If, however, the reforms implemented by the participating nations are unsuccessful or only partially successful, the countries will emerge with a larger debt and no greater ability to service it. In short, their debt-servicing difficulties may increase. This would be particularly likely if global economic conditions become less favorable. In essence, it would also repeat the experience of the last three years. Some argue even more strongly that this outcome is, indeed, probable and that debt relief is, therefore, necessary.

A related criticism is that the funds provided may be inadequate. The fifteen proposed participants in the Baker Plan have faced high levels of interest payments -- $44.5 billion in 1984 and $42.5 billion in 1985 -- and will continue to face high interest payments over the next three years. Meanwhile, exports were flat in 1985, due largely to a continued decline in commodity prices and a slowdown in the U.S. economy. Continued inability to increase exports could mean that the additional funds provided under the Baker Plan may do little more than help the debtor countries meet their debt service. Thus, with imports, including capital goods imports, already severely restricted, the additional financing provided by the Baker Plan may not be adequate to ensure the imports necessary for economic growth. The debtors may not, therefore, be able to "grow" out of their debt problem. Without this growth the debt burden will not be reduced relative to their capacity to carry it.

Although the debtor nations have welcomed the Baker initiative as a positive step, they have suggested that it fails to recognize fundamental macroeconomic issues which must be addressed if there is to be any lasting solution to the debt problem. These issues include continuing high real interest rates and the related issue of the U.S. fiscal deficit, falling commodity prices, and protectionism. Specifically, the Latin American debtors, meeting in Montevideo in December 1985, proposed that real interest rates be lowered, that below-market rates of interest be applied to existing loans, that bank lending increase in line with inflation, and that debt service be linked to economic growth and trade performance. 10/ While the Baker Plan proposes greater coordination between IMF and World Bank lending programs, the debtor nations have also opposed any possibility

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10/ Witcher, S. Karene. Latin American Debtors Display an Unusual Degree of Agreement. Wall Street Journal, December 23, 1985. p. 19.

of cross-conditionality 11/ between the two institutions — a possibility which they believe implies the imposition of stricter loan conditions.

The Politics of the Baker Plan

Fundamentally, the Baker Plan is a political initiative in which the United States Government makes no financial commitment. The United States has so far not even committed itself to a capital increase for the World Bank. Seemingly, the momentum of Secretary's Baker's dramatic call for action and support has been slackening. Secretary Baker asked for, and got, statements of support from the commercial banks. The statements came through the national banking groups; some of them came late and came reluctantly.

Like the banks, the debtor nations have also been welcoming but reluctant to fully embrace the plan. Debtor nation are wary of openly declaring themselves participants, apparently because the domestic political risks may be too great. Debtor governments apparently fear the appearance of undertaking difficult economic reforms at the behest of the U.S. Government. Unlike the banks, however, some of the debtor countries are quietly moving ahead with the kinds of reforms that the Baker Plan envisioned. Negotiations between most of the debtor nations and the IMF and World Bank are underway. The recently negotiated IMF loan to Mexico, with its emphasis on growth and its provisions for compensatory financing, is the first IMF loan to satisfy the conditions of the Baker Plan -- a high-risk test case. Thus, while the Baker Plan has brought forth only reluctant public responses, it may be reinforcing a reorientation in the direction of economic reform in the debtor countries and in the pattern of adjustment financing.

The Economist Proposal 12/

The Baker Plan has been Administration policy since October, 1985. Since the onset of the debt problem in 1982, however, there have been a variety of other proposals. The first of these to be considered here is by The Economist. In an editorial on April 2, 1983, the Economist put forward two proposals: "start a secondary market in converted bank loans, and let the IMF create an interest-rate CFF [compensatory financing facility]." Banks wishing to get rid of LDC loans could negotiate new terms with the borrowing country and then sell the newly-renegotiated loans on a secondary market. The CFF would provide compensatory financing in the event of an increase in international interest rates. It is this part of the Economist proposal which provides new financing.

11/ Cross-conditionality would involve coordination between the IMF and the World Bank on the conditions attached to their loans to individual countries. Such cross-conditionality would be intended to eliminate conflicting loan conditions.

12/ A Debt Partnership. The Economist, April 2, 1983. p. 9.

Analysis of The Economist Proposal

A secondary market in LDC loans has, in fact, developed, although it does not involve renegotiated loans. Rather, the existing loans are sold or swapped at a discount. The size of this market was been estimated at $3 billion in 1984, a small fraction of total LDC debt. 13/ The secondary market involves outright sales and swaps, with the greater part of the market consisting of swaps. In a swap between banks, the loans are swapped at a discount for cash and some high-yield debt to equal the face value of the loan. The difference in the discounts may also be made up in cash. Finally, a bank may sell a loan to an investor who then swaps the loan for equity shares in a local company or sells the debt to the central bank for local currency in order to make an investment. 14/

The secondary market has several advantages. It allows the banks to reduce or adjust their exposure. If exposure is reduced, it allows the banks to avoid related new money calls. It allows the debtor countries to purchase their debt at discount prices, thereby reducing the level of their debt and their future debt service. In the case of swaps by investors, it allows debtors to buy back their debt in local currency, important when foreign exchange is short, and it may provide the advantages of direct investment. Some countries, notably Chile, Mexico, and the Philippines, have programs to encourage debt to equity swaps.

There are also disadvantages to the secondary market: in the event of debt negotiations, the existence of substantial discounts in the secondary market can make new loans more difficult to justify and harder to arrange. Moreover, the size of the secondary market is limited by some important constraints. Banks fear that trading LDC debt at a discount may force them to take a loss on the remaining loans in their portfolio. In addition, a "notice to practitioners" from the American Institute of Certified Public Accountants recommends that, in the case of a swap where the assets are traded at less than the recorded value, the bank must take a loss. 15/ This makes banks reluctant to participate in some swaps and, thus, limits the size of the market. Finally, swaps to investors are limited by the investment laws of the host country and, possibly, by its economic condition. Investors are not eager to invest in a country whose economy is in recession, as has been the case in much of Latin America since the onset of the debt crisis.

13/ Kristof, Nicholas D. The Market for Latin Debt: Quiet Growth of a Specialty. New York Times, July 17, 1985. p. D16.

14/ These aspects of the secondary market are described in detail in Latin American Loans: Selling Them for all They're Worth. The Economist, March 2, 1985. p. 78. Debt to equity swaps are also explained in Berg, Eric N. U.S. Banks Swap Latin Debt. New York Times, September 11, 1986. p. D1, D5.

15/ Kristof, p. D16.

The marketing of Latin American debt as a tradable security, what has been termed "the ultimate junk bond," 16/ has also recently emerged. First Interstate Bancorp of Los Angeles has reached an agreement with a major Mexican bank, Multibanco Comermex (Comermex), to convert $130 million in short-term loans into floating rate certificates of deposits. In addition, Drexel Burnham Lambert is also reported to be interested in developing a market in Latin American debt. 17/ Securitization of bank debt raises problems similar to those discussed in regard to the secondary market. In addition, since bonds are usually excluded from debt reschedulings, banks holding loans of a country where some debt has been securitized may seek to be treated as equal creditors. 18/

The second part of The Economist's proposal involves the creation of an interest rate compensatory financing facility (CFF) within the IMF. The IMF's existing compensatory financing facility was created in 1963. It provides unconditional financial assistance to IMF members who are temporarily experiencing an export shortfall due to circumstances beyond their control. The CFF offsets the adverse effect of external conditions. An interest rate CFF would provide compensatory financing in the event of an increase in interest rates, which are internationally determined and, therefore, beyond the control of the debtor nations. Thus, an interest rate CFF would be consistent with the IMF's existing CFF.

An interest rate CFF meets a short-term problem, rising interest rates. It is not a basic solution to the debt problem. Moreover, the funds would be used to meet the increased interest payments rather than for purchasing imports and, hence, supporting economic growth. They would not improve the ability of the debtor to meet its debt service over the long-run.

The Lever Proposal 19/

Lord Lever proposes that the mandates of the government export credit agencies, such as the Export-Import Bank of the United States, be expanded to insure bank financing of the current account deficits of the debtor nations. Financing the current account would finance both trade and interest payments. A central agency to coordinate this current account financing would be established. It would inform the central bank of each developing country of the aggregate amount

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16/ Witcher, S. Karene. Selling Third World Debt as Securities Appeals to Bankers, But at What Price? Wall Street Journal, May 6, 1986. p. 31.

17/ Drexel Looks for Junk in Latin America. Euromoney, October 1985. p. 18.

18/ Witcher, S. Karene. Selling Third World Debt, p. 31.

19/ Lever, Harold. The International Debt Threat: a Concerted Way Out. The Economist, July 9, 1983, p. 14-16.

of insured current account financing available. The central agency would rely on the advice of the IMF in establishing the amount of current account financing to be provided. The central agency would also tally the amounts of financing provided by the individual export credit agencies so as to maintain the aggregate limit. Lever estimates that perhaps $40 to $60 billion in new bank credit would be required each year in the first year or two. In addition to its role in determining the aggregate financing limit, the IMF would also monitor adjustment programs with the leading borrowers.

Analysis of the Lever Proposal

By financing the current account deficits of the debtor nations, this proposal would support both economic growth and international trade. It achieves this, however, at a very substantial cost. The external debt of the debtor countries will rise very substantially, thus aggravating the problem. Moreover, this proposal is open to charges of "bank bailout." It would insure loans which are to be used, in part, to pay interest, thereby, effectively insuring funds which are "roundtripping." Thus, it also shifts the risk of balance of payments lending from the banks to the taxpayers of the creditor nations. Finally, the Lever proposal would significantly broaden the mandates of both the IMF and the export credit agencies. The debtor countries would undoubtedly resist IMF determination of the availability of financing and, thus, implicitly, of the size of their current account deficits, particularly when that determination is coupled with an IMF adjustment program. The IMF's role in this proposal is likely to be viewed by the debtor's as extreme intrusion in economic policymaking.

PROPOSALS FOR LIMITING DEBT SERVICE

The second group of proposals to be examined in this paper would ease the debt problem primarily by decreasing the outflow of financial resources from the debtor nations. The most common way of achieving this is to stretch-out debt service payments, that is, to lower the outflow of payments in any given year by stretching the payments out over a longer period of time. While these proposals would ease the situation of the debtor nations, they also involve a financial loss to the creditor banks. This loss occurs because of a decrease in the present discounted value of the debt service payments.

Stretch-outs

The Bogdanowicz-Bindert Proposal 20/

In the July 11, 1983, issue of Business Week, Christine Bogdanowicz-Bindert, an economist with a New York investment banking firm, suggested the creation of an agency backed by the major industrial nations to take over some portion of the outstanding LDC debt from the banks. In exchange for turning over their loans, the banks would receive bonds from the new agency. The exchange would be at face value and the bonds would be priced at market rates of interest. Maturities of the bonds, however, would be suitably adjusted to the debtors' ability to pay. Interest and principal payments on the loans now held by the new agency would be made by the debtors to the new agency which would then use the funds to retire its outstanding bonds. In addition, the commercial banks would be required to extend new loans "sufficient not only to make current interest payments but also to support projects to stimulate LDC recovery." Trade and interbank credit lines would be maintained at pre-crisis levels. Finally, efforts to boost the financial resources of the international organizations involved in attempts to resolve the debt problem, particularly the IMF, would continue. (This proposal was written before the 1983 IMF quota increase was approved.) In return for adjusted debt service payments and the new funds, the LDCs would have to adhere to IMF adjustment programs.

Analysis of the Bogdanowicz-Bindert Proposal. The Bogdanowicz-Bindert proposal would be supportive of both economic growth and world trade. As she points out, "new funds are urgently needed for purposes other than debt service. . . . There is a limit to the squeeze that can be applied to the LDCs. Continuous deflation and negative growth cannot be sustained for long without serious political and social unrest." She also points out that "LDCs account for about 25% of exports from the member countries of the Organization for Economic Cooperation & Development. . . The recovery of industrial countries is just as much at stake as the survival of the LDCs." By implication this proposal is also intended to reverse the outflow of funds from the Third World.

Bogdanowicz-Bindert also suggests that her proposal would strengthen the international banking system. This is less readily apparent. While replacing questionable assets with bonds which are ultimately guaranteed by the creditor nations would certainly strengthen the banks' balance

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20/ Bogdanowicz-Bindert, Christine. A Long-term Solution for LDC Debt. Business Week, July 11, 1983. p. 16. While this 1983 proposal deals comprehensively with the debt problem, Ms. Bogdanowicz-Bindert has also recommended limiting debt service, capitalizing interest, and partially writing-down the debt of small borrowers. See World Debt: The U.S. Reconsiders. Foreign Affairs, v. 64, no. 2, Winter 1985/1986. p. 259-273.

sheets, the banks would also be extending new loans whose value is predicated upon the uncertain results of economic adjustment programs.

This proposal would provide substantial benefit to the banks, but at a cost. The banks would get to turn over their problem assets to an agency which is backed by the creditor governments, which are, in essence, providing a guarantee of repayment. The bonds which they receive are to be at market rates, even if the stretched out maturities imply a lower present discounted value than may have been the case for the original loans. In return, the banks would have to agree to new loans and the continuation of trade and interbank lines. They would have to continue to accept a degree of risk associated with continued lending to troubled debtors.

The proposal would establish a contingent liability of the creditor governments. Should the LDC borrowers be unable to sustain their payments to the new agency, the creditor governments would have to ensure that debt service on the bonds was met. Thus, it has the potentiality of shifting risk to the creditor nations.

While not elaborate, this proposal would, nevertheless, require the creation of a new international agency -- not an easy undertaking in the current climate of fiscal austerity. The decision on what portion of LDC loans are to be eligible for inclusion in the new agency's portfolio might also be a difficult one.

The Rohatyn Proposal [21]

In the February 28, 1983, issue of "Business Week," New York investment banker Felix Rohatyn put forth a proposal to establish a new international agency which would be guaranteed by the governments of the creditor nations. It would acquire the banks' LDC loans in exchange for its own long-term, low-interest bonds. The existing bank loans would then be rescheduled. For example, "$300 billion of existing short-term credits [could be] stretched out to 25 or 30 years, with an interest rate of. . . 6%. . . . Together with the remaining short- or medium-term debt, the schedule for principal repayments could be tailored country by country to reduce debt service costs to 25% to 30% of exports."

Analysis of the Rohatyn Proposal. Rohatyn was one of the earliest people to recognize the limitations of the debt strategy which evolved in 1982: "The present approach of insisting on IMF austerity programs while also keeping the borrowers under continuing crushing debt-service pressures could be self defeating." Thus, Rohatyn was an early advocate of debt relief. Debt service payments would be limited to the ability to pay, 25 to 30 percent of exports.

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[21] Rohatyn, Felix G. A Plan for Stretching Out Global Debt. Business Week, February 28, 1983. p. 15, 18.

Existing debt would be rescheduled, with short-term credit being stretched out and converted to 25-30 year bonds. As Rohatyn points out, this does not change the economic reality of the credits. The variable rate debt owed by the LDCs, though tied to short-term rates, is, in fact, long-term debt.

Rohatyn points out that "such a program might involve the recognition of significant costs and balance-sheet losses. A 25-year, 6% loan is worth considerably less, on its face, than a short-term, 13% loan. The allocation of such costs among bank stockholders, taxpayers, and countries would be the subject of difficult negotiations. . . The mechanism for such a stretch-out will not be difficult to construct once it is decided how to allocate the costs." This is precisely the issue: the allocation of costs.

In the Rohatyn proposal, the costs would be shared by the banks, the creditor nations, and the debtors. The banks would sustain a loss of current income because the interest income received on the bonds which they receive will be less than that on the loans which they formerly held. In return, the credits which they continue to hold would be more secure, and they are to be permitted to write-off some of these holdings over a longer period of time. The creditor governments would provide a guarantee of the new agency's bonds and would presumably be responsible for any financial shortfall which would be covered either, directly, by resorting to the capital of the agency or, indirectly, by allowing the agency to borrow on their capital markets. Finally, the debtor nations would still be responsible for paying 25-30 percent of the export receipts in debt service.

In passing, Rohatyn also raises an important issue, but addresses it only in the context of East-West relations. He asks: "Should commercial banks lend to foreign governments on a long-term basis, or should this be handled on a government-to-government basis?" In the case of loans to Communist countries, he suggests that these credits should be government-to-government. It is worth pondering, however, that credits to developing nations also raise strategic and foreign policy issues.

Finally, the Venezuelan government recently proposed consolidating $7 billion of approved private sector short-term credits and replacing them with government bonds maturing in 12 to 15 years and carrying an interest rate of 5 percent, that is, a below-market interest rate. This action was taken in response to bank pressure for the consolidation of private and public debt. It was greeted with outrage by the banks and resulted in the termination of some trade credits. The Venezuelan legislature is now reconsidering the policy. Nevertheless, the banks' response to the Venezuelan action suggests how they may react to similar proposals to consolidate and stretch-out existing debt.

The Zombanakis Proposal 22/

On April 30, 1983, the Economist published a debt proposal by a noted international banker, Minos Zombanakis. The Zombanakis plan has two parts: a thirteen-year rescheduling of existing debt under the aegis of the IMF and the establishment of a Guarantee Loan Fund (GLF) within the IMF. The IMF would agree upon an adjustment program with the debtor country and, after a rescheduling had been worked out with the creditors, would undertake to guarantee repayments during the last three years of the rescheduled loans -- years 11-13. If the borrower fails to comply with its program, the guarantees could be revoked. The rescheduled loans would bear interest rates comparable to those on government-issued or government-guaranteed paper. The difference between the original rate of interest and the new rate would be charged to the borrower as a guarantee fee. This guarantee fee would be collected in an escrow account to be used in meeting any need to pay out under the guarantee. The balance of any pay-out would be met by the GLF. The GLF would consist of stand-by letters of credit provided by the enlarged Group of Ten to the IMF. 23/ Net payments would be repaid through the GLF, "under conditions to be worked out subsequently."

Analysis of the Zombanakis Proposal. The Zombanakis plan is based on the belief that:

> the real problem . . . is not just shortage of liquidity but, above all, the threat of insolvency both to countries and to banks. 24/

Therefore, Zombanakis suggests a long-term solution designed to give the debtors breathing room "to make a realistic adjustment to a deep-rooted problem that cannot be handled through short-term programmes and reschedulings." Like Felix Rohatyn, he is also, however, concerned with the problem of "wrongly structured maturities," a liquidity issue.

While the debtors would have their debt payments stretched out, they would not receive interest rate relief under the Zombanakis plan. The difference between the rates paid by the debtors on the newly rescheduled loans and the rates charged in the original loan would be paid by the debtors as a guarantee fee into an escrow account. This escrow account is to be used in the event of a pay-out under the guarantees. In essence, the LDCs would be shouldering part of the cost of the solution by providing part of the GLF. Moreover, the plan would keep tight rein on the LDCs by providing for constant IMF monitoring for the entire thirteen year period.

22/ Zombanakis, Minos. The International Debt Threat: a Way to Avoid a Crash. The Economist, April 30, 1983. p. 11-14.

23/ The enlarged Group of Ten actually consists of eleven countries: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, United Kingdom, and United States.

24/ Zombanakis, Minos. The International Debt Threat, p. 13.

The Zombanakis plan would substantially enhance the role of the IMF, a situation which might not be greeted with universal acclaim. The IMF is to negotiate a "reasonable" adjustment program with the borrowers and, with the consent of the lenders, propose the rescheduling of existing debts. The GLF is to be established within the IMF. Moreover, the IMF can terminate the guarantees in the event that a borrower fails to comply with its program.

Under the Zombanakis plan the security of bank assets would improve, at a relatively small cost. The only loss which the banks sustain is associated with the long-term rescheduling of their loans at government rates.

At the same time, however, the Zombanakis plan is vague on the very important issue of financing for the adjustment process. While IMF financing would accompany compliance with an IMF program, perhaps giving rise to the need for an increase in IMF quotas, additional bank financing does not, however, appear to be guaranteed. Zombanakis suggests that, with the increased security of their loans, the banks "could resume their consideration of new requests from the borrowers -- provided, of course, that these demands were within the framework of the new programme agreed with the IMF." Banks have been unwilling, however, to lend voluntarily to countries experiencing severe debt problems of the type which would make them eligible for participation in the Zombanakis plan. This plan appears to assume that successful adjustment will occur in the course of the thirteen year program and that, therefore, new bank financing will be voluntarily forthcoming. Such an outcome is not assured. Moreover, the fact that the banks would sustain a loss from the substitution of bonds for their assets would be likely to make them even more reticent to provide additional finance.

Lastly, the Zombanakis plan is a one-time remedy based on the assumption that "as world conditions return to normal [a country] will be able to repay its obligations." Yet the history of the world economy in the 1970s and 1980s does not suggest normalcy, but rather instability. Unforseen events, such as the recent drop in oil prices, may make it difficult for the debtor nations to meet their rescheduled payments. In assuming a "return to normal," the Zombanakis plan does not provide for contingencies, except in so far as the IMF has the ability to renegotiate its programs.

Other Proposals

The Bailey Proposal [25]

Norman A. Bailey, formerly of the National Security Council, has proposed that the central banks of the debtor countries issue negotiable Exchange Participation Notes (EPNs) in place of the principal repayments on existing loans. Debt eligible to be replaced by these notes would be limited to balance of payments loans; project loans and trade credits are specifically excluded from eligibility. The EPNs would give the commercial banks a pro-rata share of an agreed percentage of gross annual current account foreign exchange receipts. Interest payments "could be maintained in accordance with the original loan documentation, or assigned to the holder in due course of the EPN, or combined with principal in the EPNs themselves." [26] "The resources and activities of the BIS (Bank for International Settlements), IMF, creditor central banks, etc., would be directed primarily to keeping the debtors' interest payments current and thus maintain the liquidity of the international financial system." [27] EPNs would be redeemed by the debtors' central banks. Payments would be made through creditors' committees. The debtor countries would be required to have an IMF program.

Analysis of the Bailey Proposal. The chief beneficiaries of this program would be the LDCs, whose amortization payments would be tied to their foreign exchange earnings, that is, to their ability to pay. The percentage of foreign exchange allocated for servicing the EPNs could be set at a level consistent with providing debt relief. The proposal also has the merit of stretching out LDC debt payments.

The banks, on the other hand, would be assuming the risk of the LDCs' ability to generate foreign exchange. These risks would be, in turn, tied to the level of economic growth and protectionism in the industrial nations. The risk would be even greater if the interest payments are combined with the principal in the EPNs themselves. In effect, however, this is what the banks were doing in the first place when they extended balance of payments loans to the debtor countries. Unlike project loans, where the project generates a stream of earnings which enable repayment, and trade credits, which are self-liquidating, repayment of balance of payment loans have always depended on the availability of foreign exchange earnings. EPNs merely make this dependency more explicit. The realities of the source of repayment would not be changed. Since payments would be keyed to foreign exchange receipts, however, this plan also would create an incentive to under report foreign exchange earnings, as Bailey himself points out. 28/

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[25] Bailey, Norman A., R. David Luft, and Roger W. Robinson, Jr. Exchange Participation Notes: An Approach to the International Financial Crisis, in de Saint Phalle, Thibaut, ed. The International Financial Crisis: An Opportunity for Constructive Action. Washington, Center for Strategic and International Studies, 1983. p. 27-36. The proposal also appeared in Bailey, Norman A. A Safety Net for Foreign Lending. Business Week, January 10, 1983. p.17.

[26] Ibid., p. 31.

[27] Ibid.

The unpredictability of LDC current account receipts would appear to make the EPNs unattractive as a negotiable instrument and suggest that the EPNs would be likely to trade at a substantial discount, particularly in a recessionary world economy. 29/ Although the plan does not explicitly provide for the creation of a secondary market in EPNs, it does appear to assume the development of one. Such a market would permit the banks to adjust their Third World exposure and permit the debtors to buy back their debt at a reduced price. Should the secondary market, however, be glutted with EPNs, the banks may end up deciding not to hold assets which are little more attractive than the original loans.

Under the Bailey plan interest payments would be maintained by loans from the BIS, the IMF, and the central banks of the creditor nations. These institutions would become the lenders of last resort, a role which some of them may be reluctant to undertake. More importantly, continued lending for the purpose of maintaining interest payments would involve an increase in debt levels so that the problem may be merely postponed. Furthermore, as Bailey himself points out that "[m]aintenance of interest payments through the efforts of international institutions would require substantial amounts of money." 30/ He does not say from where this money would come. The cost of maintaining the flow of funds to the debtor nations and back to the banks is apparently to be shouldered by the taxpayers of the creditor nations, making this plan likely to be subject to charges of "bank bailout."

Bailey himself points out that this plan would be difficult to implement and would require a degree of involvement in the financial affairs of the debtor nations which is "unusual in recent history and, therefore, may meet political resistance from some borrowers." 31/ Indeed, it appears likely to meet borrower resistance.

28/ Ibid., p. 32.

29/ Prices after discount for Third World debt trading in the secondary market in July 1986 were as follows: Argentina, 66 percent of face value; Brazil, 76 percent; Chile, 67 percent; Colombia, 83 percent; Ecuador, 65 percent; Mexico, 56 percent; Venezuela, 75 percent; Poland, 45 percent; Romania, 90 percent; and Yugoslavia, 80 percent. Shearson Lehman Brothers figures quoted in The Debt Swappers. Euromoney, August, 1986. p. 71.

30/ Bailey, p. 32

31/ Ibid.

Interest Rate Cap

During early 1984, when interest rates were rising rapidly, several kinds of interest rate caps were suggested. The most common type proposed that floating interest rates be capped at a fixed level. When international interest rates rise above the fixed level, the interest differential between the two rates would be capitalized. When interest rates fall below the fixed rate, the borrower would continue to pay at the capped rate thereby paying off some of the capitalized interest.

Analysis of Interest Rate Caps. The main advantage of this proposal is that it would protect the banks' profits. There are, however, several disadvantages. While the banks' profits would be protected, they would be, in effect, lending automatically, losing control of the terms of their loans. The banks may also find themselves lending below the cost of funds, a situation likely to result in a cut-off of lending. A universal cap would also fail to differentiate among borrowers. In addition, by removing the pressure of debt service, the interest rate cap may undermine the incentive of the debtor nations to adjust. Moreover, it merely postpones the problem and could prove to be expensive to the debtors. Finally, it may be a temporary solution which can only work if interest rates move downward within a reasonable time after rising.

The Kerry Proposal

On June 26, 1986, Senator John Kerry introduced S. Res. 436, the "International Development Resolution of 1986." This resolution proposes that the U.S. representative to the United Nations seek an agreement which would limit debt service payments. The agreement would establish the "International Debt Program" (IDP) which would be managed by the International Trade and Finance Development Council. Debt relief would be directly related to an LDC's trade balance and structured so as to provide the LDC with an incentive to maintain or increase imports. In essence, the debt relief would provide the debtor nations with the funds for financing imports.

For countries with a trade surplus, a progressive cap on debt service payments would be established. Countries experiencing a trade surplus equivalent to 20 percent or less of their exports would have their debt service payments capped at the maximum level, 20 percent of exports. As the size of the surplus rises above 20 percent of exports, the amount of debt service payments capped increases. Thus, the greater the trade surplus, the less debt relief received. Alternatively, for countries with a trade deficit, a progressive scale of debt-service payments are to be automatically rescheduled. Countries with a trade deficit equal to 20 percent of exports would have 20 percent of their debt service payments rescheduled. As the trade deficit increases, the amount of rescheduled payments increases to a maximum of 40 percent.

Debt relief would apply to public and publicly guaranteed debt. Rescheduled debt service payments would be capitalized. During the first five years, interest payments on the rescheduled debt service would be paid by the IDP. During the next ten years, a fixed interest rate of 3 percent would be paid by the participating debtor nations. The difference between the 3 percent to be paid by the debtor countries and market rates of interest would be paid for by the IDP. The program would be financed by the creditor nations according to the trade benefits derived. The participating debtor nations would establish a reserve against default equivalent to 10 percent of the debt relief received. Finally, the agreement would end after five years.

Analysis of the Kerry Proposal. The Kerry proposal is comprehensive and complex. The basis for this resolution is contained in a study by Brazilian Professor Eduardo Dutra Aydos. This study was inserted in the Congressional Record of May 7, 1986 by Senator Kerry. [32] The very complexity of this proposal may make it difficult to implement.

Like the Bradley proposal which is discussed below, the Kerry proposal recognizes the intimate linkage between trade and debt. Thus, the Kerry proposal seeks the balancing of gross trade flows. Specifically, it does this by providing enough debt relief to maintain or increase the level of imports. In doing this it recognizes the adverse impact on creditor nations of the cutback in LDC imports.

The Kerry proposal is also growth-oriented. By allowing the debtor nations to maintain or increase their imports it also allows them to foster their economic growth. In this way, it will reduce the level of the debt burden relative to the size of the debtors' economies and their ability to pay.

The Kerry proposal has the flexibility of the case-by-case approach, but the predictability of universally applied criteria. The criteria are, however, based upon the reporting of trade results, thereby creating an incentive to inaccurate reporting. Participating countries would have an incentive to underreport exports and overreport imports. Moreover, in many instances, the trade figures are already distorted as a result of capital flight.

The Kerry proposal would treat the commercial banks relatively generously. The Kerry proposal does not involve a write-off of LDC debt. The banks would receive full payment of interest and principal in return for the elimination of spreads and fees. But they would sustain some loss in the rescheduling process because of the time value of money. Moreover, the proposal would further protect the banks by establishing a loss reserve equal to 10 percent of the value of the debt relief, a proposal which would effectively reduce the amount of relief and which may, therefore, be resisted by the debtor nations.

On the other hand, the Kerry proposal would make society at large in the creditor nations pay the costs of a solution to the LDC debt problem. In so doing the proposal implicitly acknowledges that

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[32] Kerry, John. A Way Out of the Debt Crisis. Remarks in the Senate. Congressional Record [daily ed.] vol. 132, May 7, 1986: S5584-S5589.

the international debt problem is adversely affecting large segments of the creditor nations' economies, as well as total economic growth. The proposal suggests that the program be financed by an import tax or, possibly, by budget appropriation. In any case, it would be the consumers or the taxpayers of the creditor nations which would pay for the costs of the program. It is not yet clear that any nation is ready to do this.

Finally, the Kerry proposal is not explicit regarding the responsibility of the LDCs to improve their economic management. Perhaps the inclusion of the World Bank, the IMF, and the GATT on the Board of Directors of the International Development Council, the proposal's administrative body, is intended to address this problem. Without economic reform, the debt problem is likely to continue despite the very substantial debt service relief which the Kerry proposal would provide.

PROPOSALS COMBINING DEBT SERVICE RELIEF AND WRITE-DOWNS

The proposals discussed in this section would also ease the LDC debt problem by decreasing the financial outflows from the debtor nations. In addition to limiting debt service, however, they also provide for writing down the principal on the outstanding debt. This would both lower the outstanding debt and debt service. Most of these proposals, therefore, would potentially involve greater losses for the commercial banks than the debt service limitation proposals discussed above.

The Bradley Proposal 33/

On June 29, 1986, Senator Bill Bradley put forth "A Proposal for Third World Debt Management" in a speech in Zurich, Switzerland. Bradley suggested that the President of the United States convene a "trade relief" summit. Senator Bradley proposed that this summit be held annually in conjunction with the first three years of the new round of multilateral trade talks which are to be held under the auspices of the General Agreement for Tariffs and Trade (GATT). The proposed summit would be chaired by World Bank President Barber Conable. Commercial bank and government creditors would be equally represented at the summit, with at least three representatives each in attendance.

The trade relief summit would provide interest rate and debt relief to the fifteen debtor nations which are currently included in the Baker Plan. Senator Bradley suggests that the targeted amount of yearly relief equal 3 percentage points off interest rates plus a 3 percent write-down of principal on all outstanding commercial and bilateral government loans. The exact amount of relief would, however, be negotiated with each participating country. Senator Bradley suggests that full participation by the Latin American debtors could result in

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33/ Bradley, Bill. A Proposal for Third World Debt Management. June 29, 1986, 5 p.

$42 billion in debt relief. For their part, the debtor nations would undertake reforms to restore economic confidence. The debtor nations would liberalize trade, reverse capital flight, encourage internal investment, pursue policies which promote economic growth and have broad political support, and keep debt management free of scandal. Finally, the international development banks would extend $3 billion annually in project and structural adjustment loans.

Analysis of the Bradley Proposal

The Bradley proposal not only recognizes the importance of economic growth, as does the Baker Plan, but also considers several other important aspects of the international debt problem. In particular, it focuses on, what Senator Bradley terms, the most "perverse" aspect of the problem, that is, that the debtor nations are sustaining a net capital outflow to the creditor nations. This position is inherently unsustainable for developing countries. Developing countries must have capital to grow. Since they are unable to generate the needed savings domestically, they must receive a net capital inflow from abroad. By reducing interest and principal payments, the Bradley proposal seeks to relieve the financial outflow from the debtor nations.

The Bradley proposal recognizes the important link between trade and debt, although terming the summit a "trade relief" summit obscures its main thrust: It would be "debt relief" summit. Nevertheless, by focusing on the connection between debt and trade, the Bradley proposal would offer something to both debtor and creditor nations. Economic growth in the debtor nations has been lowered. Severe import compression and aggressive export promotion by the debtor nations have seriously distorted international trade patterns. The trade deficit of the United States has been widened by the impact of the debt problem. Employment losses in some sectors in the creditor nations have led to greater protectionism. By providing debt relief, the Bradley proposal would attempt to ease these pressures.

The Bradley proposal also recognizes an important political reality: the governments of the debtor nations are finding it increasingly difficult to gain the support of their electorates for painful economic reforms while, at the same time, agreeing to increases in the very debt burden which is the crux of their problem. The Bradley proposal offers hope for the future. By reducing the debt burden, it would place the debtor governments in a better position to argue for support of difficult economic measures.

The Bradley proposal suggests $9 billion in additional loans by the World Bank and the regional development banks. While such loans are made at below-market rates of interest, they, nevertheless, increase the debt burden of the recipients, as in the Baker Plan.

The Bradley proposal differs significantly from the Baker Plan in its treatment of the role of the commercial banks. The Bradley proposal does not ask the commercial banks to make any new loans. It recognizes that the banks have been reducing their exposure in Third World countries. Instead, the banks are asked to reduce interest payments by 3 percent over a 3-year period and accept a 3 percent reduction in outstanding principal annually for 3 years. Such deep interest rate cuts would result in loan rates below the banks' cost of funds -- a situation which the banks are unlikely to accept without offsetting compensation. Moreover, an annual reduction of 3 percent of the $280.3 billion commercial bank debt of the Baker Plan Fifteen would be equal to about $25 billion. $89.1 billion or approximately 32 percent of the total commercial bank debt of the Baker Plan Fifteen is owed to U.S. banks. On a pro-rata basis, the annual 3 percent write-off of principal suggests a cumulative loss for U.S. banks of about $8 billion, equal to about 7.3 percent of their total primary capital (equity, subordinated debentures, and reserves for loan losses, currently equal to $109.7 billion.) 34/ This is a large loss -- and it would be on top of the loss sustained by granting interest rate relief. This loss would be heavily concentrated in the large money center banks. Finally, however, it must be emphasized that Senator Bradley has indicated that "[t]he precise numbers aren't all that important, but the concept of debt relief is [important]." 35/

U.S. banks have been considerably less aggressive in writing off their LDC loans than banks in some other countries. Regulatory disparities between countries account for much of this difference. U.S. banks have asked for regulatory changes which would permit them to write-off more loans but have been rejected. The Bradley proposal recognizes this problem by suggesting a regulatory review board to consider changes in bank regulations and interpretation of accounting rules.

The Bradley proposal asks the commercial banks to take steps which are clearly not in their current interest, in order to gain the possible restoration of LDC creditworthiness. As William R. Cline has pointed out, "[i]t is unlikely that banks would voluntarily forgive the amounts in question, because there would be little reason for them to expect the increased probability of repayment of the remainder to outweigh the direct losses . . . ." 36/ Stuart K. Tucker of the Overseas Development Council has further suggested, "it is not in the interest of the commercial banks to seek a fair distribution of the costs of the debt crisis. Their concern quite naturally is for their own profits and exposure." 37/ Finally, Cline has also pointed out that the "Bradley proposal glosses over an important detail: There would seem to be no

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34/ Figures for total bank loans to the Baker Plan Fifteen are for March 1986 and are derived from the Bank for International Settlements, International Banking Developments, First Quarter 1986, Table 4a. Figures for U.S. bank holdings of loans to the Baker Plan Fifteen and for their primary capital are derived from Federal Financial Institutions Examination Council, Country Exposure Lending Survey, March 1986, table I and the note on the final page of the survey.

35/ Rowen, Hobart. Bradley Challenges Baker on Third World Debt. Washington Post, July 6, 1986. K 1, K5.

36/ Cline, Bradley's Debt Plan Won't Work, p. A19.

37/ Tucker, Statement.

legal mechanism that could force banks to relinquish claims." 38/ Thus, it is unlikely that the banks would cooperate voluntarily with the Bradley proposal.

A major difficulty of the current system of debt negotiation is that it is cumbersome. Each debtor country negotiates its debt rescheduling and additional financing with a bank advisory committee, usually representing several hundred banks. Maintaining bank unity has been tedious and time-consuming, resulting in protracted debt negotiations. Negotiations on bilateral government loans have been conducted within the Paris Club of creditor nations. Senator Bradley's proposed summit would apparently be a substitute for these mechanisms. Banks and governments would have equal representation at the summit, "with at least three representatives each to ensure some diversity of view." The proposed summit might be even more cumbersome than existing mechanisms.

Finally, the debtor nations have frequently resented the policy intervention of the IMF and other creditors. The Bradley proposal requires that the amount of debt relief be negotiated annually over a three year period. This would appear to keep the debtor nations on a very "short leash," an impression confirmed by Sen. Bradley's recent statement that the debt relief "should vary from year to year, and from country to country, depending on results." 39/ The debtor nations would be likely to resist this aspect of the Bradley proposal.

The Kenen Proposal 40/

In the spring of 1983, Peter B. Kenen of Princeton University proposed the establishment of an International Debt Discount Corporation (IDDC) by the governments of the industrial nations either as an independent entity or within the IMF. The capital of the IDDC would be subscribed in dollars by the creditor nations and could be either paid-in or callable, but would be large in relation to the organization's liabilities. In return for its own liabilities, the IDDC would discount bank claims on the debtor nations at the rate of 10 percent. Only government or government-guaranteed claims would be accepted for discounting. Participation by the banks would be optional, but participating banks would be required to discount a uniform fraction of all participating LDC debt which they hold. Participating LDCs would have to have a stand-by arrangement with the IMF.

38/ Ibid.

39/ Rowen, Hobart. Bradley Stresses Flexibility in Debt Plan. Washington Post, July 25, 1986. p. C8, C10.

40/ Kenen, Peter B. Outline of a Proposal for an International Debt Discount Corporation, May 3, 1983, 3 p. Note available from Peter B. Kenen at Princeton University, International Finance Section.

The bonds issued by the IDDC would be amortized over fifteen years, beginning five years after issuance. The bonds would carry a rate of interest of one percent above the long-term rate on U.S. Government securities. This rate might float partially by being linking to a selected short-term rate such as LIBOR. 41/ The bonds would be marketable in a secondary market which is to be developed by the IDDC.

Finally, the claims discounted by the IDDC would be stretched out into long-term debt. They would be amortized over 15 years, beginning after a three-year grace period. The newly rescheduled debt would bear an interest rate no more than a quarter of a percent above the rate on the bonds issued by the IDDC.

Analysis of the Kenen Proposal

Like several other proposals which are examined here, this is a proposal for a one-time stretch-out of LDC debt. The newly created IDDC would become the holder of a percentage of the banks' claims on participating debtor nations. These claims would be rescheduled over 15 years, with a three-year grace period. The interest rate charged by the IDDC would not exceed one-quarter of one percent above the issuance rate on IDDC bonds, thus providing an opportunity for interest rate relief. In return for an easing of the terms on some of their outstanding debt, the debtor nations must have an IMF stand-by.

The banks stand to gain from this proposal by the off-loading of their LDC debt risks and the re-liquification of their portfolio. A secondary market would allow them to redeploy their assets. On the other hand, the cost would be quite great: an up-front loss of ten percent would be quite large. Over time, this cost would, of course, be offset partially by income earned on the holding of IDDC bonds or on alternative assets if the bonds were sold in the secondary market.

Much of the costs and risks of this proposal would be vested in the IDDC itself and, hence, ultimately passed on to the creditor nations. The direct budgetary costs would be likely to be minimal: Kenen proposes that the capital of the IDDC be callable, although it "might be desirable" for some fraction of it to be paid-in. The proposal also, however, entails the possibility of a unanticipated mismatch of interest income and interest expense which would have to be made up either through a call on capital or through borrowing on international capital markets. Kenen suggests that the capital of the IDDC be fairly large in relation to its liabilities. This would make the IDDC an attractive borrower.

41/ LIBOR is the London Interbank Offered Rate, the benchmark rate at which banks in London are prepared to lend to high quality banks in the interbank market. The interest rates on international loans are usually expressed as a markup, or spread, over LIBOR.

The Schumer Proposal [42]

Representative Charles E. Schumer has proposed that interest payments on LDC debt be reduced to sustainable levels. He has suggested that they be reduced to a level equal to 25 percent of a country's annual export earnings, although he considers this to be an illustrative figure. A higher or lower percentage might be appropriate. In addition, he has proposed that the Federal Reserve determine the amount of value-impaired or non-performing Third World debt being carried on the books of commercial banks at face value. The Federal Reserve would then devise a means of "reducing the face value or maturity of the debt to an amount which approximates its fair value and in a manner consistent with ensuring the overall stability of the United States financial sector."

Analysis of the Schumer Proposal

The Schumer proposal and the Bradley proposal share the belief that the strategy of dealing with the debt crisis by extending new loans is "fundamentally flawed." It piles more debt on existing debt, thereby aggravating the existing debt problem. In Schumer's words:

> New lending, be it commercial bank lending or balance-of-payments and non-project lending from the international financial institutions, succeeds only in an extremely limited sense: it allows countries to repay old loans. At the same time, however, new loans pile atop old restructured loans to bloat debt service burdens.
>
> Few resources have been left over for development. As a result, the debtor countries have suffered through what has been termed a 'lost decade of growth.' Standards of living have plummeted to levels seen 10 years ago. Poverty and malnutrition have soared. . . Political discontent has risen. [43]

Representative Schumer, therefore, proposes that debt service be limited to a country's ability to pay, using the ratio of debt service to exports as an indicator of that ability. Proposals to cap interest payments are not unusual. Peru, Nigeria, and Brazil have unilaterally announced such a cap. The difficulty in implementing a cap proposal on an across-the-board basis is that an appropriate rate for one country might not be the appropriate rate for another. Countries differ in their capacity to service debt. Interest payments equal to 25 percent of exports may be a manageable debt burden for one country but not for another.

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[42] U.S. Congress. House. Committee on Banking, Finance and Urban Affairs. International Debt, Trade, and Financial Stabilization Act; report together with additional, supplementary, minority, and dissenting views, to accompany H.R. 4574. 99th Congress, 2d session. May 6, 1986. Washington, U.S. Govt. Print. Off., 1986, p.45-46.
Report no. 99-577, Part 1.

[43] Ibid., p.45.

Representative Schumer also proposes a write-down of value-impaired or non-performing LDC debt. A loan is "non-performing" when interest is 90 days or more overdue. This classification is non-judgmental. On the other hand, loans to a given country are "value-impaired" when the Interagency Country Exposure Review Committee (comprised of the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation) decides to classify them as "value-impaired." This classification is to a large extent judgmental; it is not determined by any absolute standard. At present the loans of six countries are classified as value impaired: Bolivia, Nicaragua, Peru, Poland, Sudan, and Zaire. Thus, the Schumer proposal is asking the Federal Reserve to determine which loans should be written down, a judgment it now shares with other agencies.

The Federal Reserve is also asked to determine by how much loans should be written down and in what manner. Loans are to be written down to "true value," which is to be determined by the Federal Reserve. The Schumer proposal provides no guidance in defining "true value". The "true" value could perhaps be considered the market value; there is a small secondary market in Third World debt. The proposal does not, however, suggest this alternative. In any case, any definition of "true value" is likely to be disputed on methodological grounds, especially since the loss of large sums of money is involved. Finally, Representative Schumer also suggests shortening loan maturities, a proposal which would actually increase the debt burden.

Managing a major write-down "in a manner consistent with ensuring the overall stability of the United States financial sector" is difficult management and technical problem. They may prove insurmountable or require that U.S. taxpayers bear a substantial share of the cost of such a write-down.

Finally, most economists consider that the international debt problem was, in part, brought on by the poor economic management of the LDCs. The Schumer proposal makes no provision for ensuring that the LDCs undertake needed economic reforms. Without such reforms, the debt relief provided by the Schumer proposal might not solve the debt problem.

DEBT REPUDIATION: THE CASTRO PROPOSAL

On the spectrum of solutions to the debt problem, debt repudiation or default is the most radical. The banks sustain a total loss, and the debtors receive total relief.

The Castro Proposal [44]

Fidel Castro's proposal is strikingly simple: cancellation or repudiation of the debt. Castro further suggests that the cost of cancellation of the bank debt be taken over by the creditor governments which could use a "small percent of military expenditures -- which couldn't be more than 12 percent" to assume the debt owed to their banks. [45]

Castro is concerned with the transfer or resources out of Latin America:

> [I]n just one year, 1984, Latin America transferred economic resources worth more than $70 billion to the industrialized countries, as follows: interest on the debt and profits, $37.3 billion; deterioration in the terms of trade, $20 billion. . . $10 billion for the flight of foreign currency. . . And lastly, . . .$5 billion due to the overvaluation of the dollar. [46]

Castro further argues that much of this transfer was "illegitimate."

Castro believes that the governments of the debtor nations can no longer force sacrifices of the extent required upon their populaces and, more importantly, that the initiative has shifted to the debtor nations:

> Essentially the situation is as follows: it is materially impossible to pay the debt and its interest; therefore, . . . the debt cannot be paid. It would take rivers of blood to force the people to make the sacrifices this would imply--for which they would receive nothing. No government would be strong enough to do this. This is worth analyzing, discussing and solving in common agreement between creditors and debtors. We should never forget, even for an instant, that the initiative has passed to the nations that are being pressured to make this monstrous sacrifice.
>
> If the debtor countries of the Third World are forced to decree a suspension of payments unilaterally, the industrialized countries will be left without any possible alternative for action. An economic blockade; an invasion of the Third World; a new repartition of the world, as in

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[44] Castro, Fidel. There's No Other Choice: the Cancellation of the Debt or the Political Death of the Democratic Processes in Latin America. Economic Section of the interview granted to Representative Mervyn Dymally and Prof. Jeffrey Elliot of the United States, March 29, 1985. Impreso en el palacio de las convenciones, La Habana, Cuba, 1985, 53 p.

[45] Ibid., p. 18.

[46] Ibid., p. 2.

> past centuries, in order to guarantee raw materials and markets or to collect the debt is simply impossible. 47/

Finally, Castro points out that cancellation of the debt would even help some interests:

> [I]t would even help the foreign companies with investment in those countries, the companies that have trade relations with those countries, the companies that produce goods for those countries. And, in the creditor countries, the state wouldn't be hurt economically. To the contrary, they would raise their levels of employment and use of industrial capacity; their banks wouldn't have any losses; and their taxpayers wouldn't have to pay any more taxes. 48/

Analysis of the Castro Proposal

Possibly more than any other proposal which has been considered in this paper, the Castro proposal is based on a political analysis of the debt problem. One of the more important issues which Castro raises is whether or not the initiative in the debt crisis has shifted to the borrowers. Recently, Anatole Kaletsky suggested using a "vulnerability ratio" to assess a country's vulnerability to default. 49/ The vulnerability ratio is the ratio of interest payments to new borrowings. When interest paid exceeds the amount of new money received, that is, when there is a net financial outflow, the incentive to maintain debt payments decreases and the incentive to default increases. The higher the ratio, the greater the incentive to default. Vulnerability ratios in 1982 and 1985 for the Baker Plan Fifteen as a group are shown in table 1. Between 1982 and 1985, the vulnerability ratio for these fifteen countries as a group rose from 1.7 to 5.1, tending to confirm Castro's suggestion that the initiative has shifted to the debtor countries. 50/ This increase in the

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47/ Ibid., p. 38-39.

48/ Ibid., p. 37-38.

49/ Kaletsky, Anatole. The Costs of Default. Twentieth Century Fund, Priority Press Publications, New York, 1985. p. 102-103. In addition to adapting Kaletsky's "vulnerability ratio," the analysis of the Castro proposal contained in this paper frequently draws on the insights provided in the Kaletsky book. Readers interested in a fuller treatment of the issue of default are directed to Kaletsky's work.

50/ Some of the increase in the vulnerability may possibly be explained by the need to use two different sources for the data on interest payments. Interest figures obtained from the U.S. Treasury for the year 1985 may be more complete than the figures used for 1982, which were derived from the World Bank Debt Tables, 1984-1985 ed. Nevertheless, the Baker Plan Fifteen now appear to have a greater propensity to default than in 1982.

TABLE 1. Vulnerability Ratios: "Baker Plan" Fifteen, 1982 and 1985

Country	1982 Interest	1982 New Money	1985 Interest	1985 New Money
		(billions)		
Argentina	$1.2	$-0.8	$5.2	$2.9
Bolivia	0.2	-0.2	0.3	-0.1
Brazil	9.3	6.5	11.6	0.0
Chile	1.9	0.9	2.1	0.7
Colombia	0.7	0.7	1.1	-0.6
Ecuador	0.6	-0.1	0.8	0.2
Ivory Coast	0.5	0.2	0.5	0.3
Mexico	6.0	3.5	10.0	2.7
Morocco	0.6	0.3	0.9	0.4
Nigeria	0.8	2.3	1.1	1.0
Peru	0.5	0.9	1.1	-0.1
Philippines	0.9	1.1	2.3	-0.4
Uruguay	0.1	0.3	0.4	-0.1
Venezuela	1.6	0.4	3.5	0.6
Yugoslavia	1.6	-0.6	1.6	0.7
Total a/	$26.5	$15.3	$42.5	$8.3
Weighted Ratio for Group		1.7		5.1

Sources: Bank for International Settlements, International Banking Developments, Third Quarter 1984 and First Quarter 1986; World Bank, World Debt Tables, 1984-1985 ed., and unpublished U.S. Treasury data.

2/ Totals may vary due to rounding.

vulnerability ratio resulted both from a decline in new money and an increase in interest payments.

The desirability of default is not just a simple statistical calculation:

> The penalties for default are inherently uncertain. Penalties, after all, are likely to be largely political in nature, and attempts to quantify them are almost certain to be misleading. . . . The outcome will depend largely on how the governments of creditor countries respond to default. Potential defaulters are unlikely to try to quantify the costs of defaulting by attaching more or less arbitrary numerical probabilities to risk of an all-out economic war with the governments of industrial countries. If a political leader feels that he may be ousted if he does not take drastic action,

> he will not bother much about refined hypothetical calculations about the long-term costs of default -- he will try to assess the likelihood of catastrophic retaliation and hold this up against the possible gains from default. 51/

In the end, the decision to default is to a large extent a political decision as well as an economic decision. The issue is the willingness to pay, not the ability to pay. In the past, defaults have occurred at different levels of debt burden both for the same country and for different countries.

Castro highlights another important issue: the issue of creditor remedies in the event of default. Historically, actions taken against defaulting debtors have sometimes been quite vigorous, including such steps as taking over customs collections and even blockades. Such drastic remedies, however, are no longer politically possible. The remedies available are now much more limited. 52/ Assets used for governmental purposes cannot legally be seized. Central bank reserves are largely kept with the Federal Reserve Bank of New York and are, therefore, largely unavailable to private banks for offset purposes.53/ State corporations are separate legal entities, responsible only for their own debt. Private corporations and individual citizens are not liable for the debt of their government. Contractual arrangements regarding the passage of title may limit the potential for seizing exports. Finally, the broader goals of the banks themselves may limit their willingness to resort to legal remedies. They may, for example, have branches in the defaulting country. Finally, the extent to which remedies are used is likely to depend on the nature of the default, that is, the extent to which it is conciliatory versus confrontational.

The loss of credit would be the strongest sanction against default, but even this would have limitations. History indicates that the loss of medium-term credit is not forever. All of the Latin American countries now experiencing difficulties defaulted in the 1930s. After about thirty years they were able to resume borrowing.

51/ Kaletsky, p.18.

52/ The arguments regarding remedies for default rely on Kaletsky, Chapter 4 and 5. A summary of Kaletsky's view is contained in Kaletsky, Anatole. Banks and Latin American Debt: Seizing Assets is not so Easy. Financial Times, June 25, 1984. p. 15. For a contrary view, see Enders, Thomas O. and Richard P. Mattione. Latin America: The Crisis of Debt and Growth. Washington, D.C., The Brookings Institution, 1984, p.47-50.

53/ Foreign central bank reserves are covered, in the United States, by the Foreign Sovereign Immunities Act (28 USC 1611b1) and, in the United Kingdom, by the State Immunity Act of 1978.

Even Cuba, one of the few countries to openly repudiate its debt, was able to resume small amounts of borrowing within a decade. 54/

The loss of trade finance, however, would be likely to be more serious than the loss of medium-term credit. Nearly all trade is financed in some way; very little trade is on a cash-and-carry basis or on open account. While the loss of medium-term credit would be a one-time occurrence, the loss of trade finance would be an on-going problem. But even the impact of the loss of trade finance could be mitigated. The increased availability of foreign exchange resulting from a default would mean a greater ability to purchase imports for cash. Some suppliers' credits might not be interrupted. Bartering would be an option, albeit somewhat limited. Lastly, the banks' own customers might push for the resumption of finance for their exports.

Finally, as Castro suggests, not all interests in the creditor countries would be equally affected by a default. 55/ The removal of foreign exchange constraints and the possibility of increased economic growth would benefit multinational corporations doing business in or with the defaulting debtors. Exporters, including farm interests, and their employees might stand to benefit. Companies competing with Third World producers might face less competition. Indeed, the trade accounts of the creditor nations might be under substantially less pressure after a default. The major banks, however, would be dramatically affected. In March 1986, the nine major U.S. banks had loans outstanding to the fifteen proposed participants in the Baker Plan 56/ equal to 133.3 percent of their capital. In the event of a widespread default, these banks might be insolvent.

CONCLUSION

The international debt problem has had a major impact on the Third World and on the United States. The adverse impact of the debt problem is likely to continue unless steps are taken to ameliorate its effects. This paper has examined a wide variety of proposals for solving the problem. Major characteristics of the proposals are summarized in the matrix on page 3. Nine of the proposals, the majority, recommend limiting debt service. The Bradley, Kenen, and Schumer proposals also

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54/ Kaletsky, p 18. See also footnote #2 on p. 88 in the same source. Currently, Cuba has recently rescheduled its debt with official creditors and is negotiating a rescheduling of its bank credits, on whose debt service it has now fallen behind.

55/ The differential impact of the debt problem is also discussed, for example, in a staff study prepared for the Joint Economic Committee of the U.S. Congress, "The Impact of the Latin American Debt Crisis on the U.S. Economy."

56/ The fifteen countries had loans outstanding to the nine money center banks equal to $58.1 billion. The total capital of the nine money center banks amounted to $43.6 billion.

Patricia Wertman, Analyst in International Trade and Finance, Economics Division, Congressional Research Service provide for write-downs of principal. Three proposals, most notably, the Baker Plan, are based largely on the provision of new finance.

Nearly all of the proposals are quite comprehensive. A few, such as The Economist's proposal for a secondary market in Third World debt and an interest rate CFF, are more limited, providing for only a whittling away at one or more specific aspects of the problem. Examination of all of the proposals, however, strongly suggests the extreme complexity of the international debt problem. The development of a satisfactory comprehensive solution to the problem is, therefore, likely to be difficult.

The most difficult issue in developing a solution to the Third World debt problem is the allocation of costs. Ultimately, the allocation of costs is a political decision. Thus, a new approach to the debt crisis awaits the emergence of a new political consensus.

ajf/mls/sem

41/202. *Strengthened international economic co-operation aimed at resolving external debt problems of developing countries*

Date: 8 December 1986　　Meeting: 100
Adopted without a vote　　Report: A/41/937

The General Assembly,

Noting its decision 40/474 of 20 June 1986, and related annexes thereto, 90/

Recalling Trade and Development Board resolutions 165 (S-IX) of 11 March 1978 91/ and 222 (XXI) of 27 September 1980, 92/

Having considered the report of the Secretary-General entitled "International debt situation in mid-1986", 93/

Taking note of the statements made by Member States under this item, particularly in the meetings held in the plenary and the Second Committee of the General Assembly during its fortieth and forty-first sessions,

Recognizing that debt-servicing problems constitute a severe, restrictive and continuing burden for the economic and social development of many developing countries,

1. *Agrees* on the following elements and *invites* all those involved to take them into account in addressing the problems of external indebtedness of developing countries, with a view to reaching equitable, durable and mutually agreed solutions, taking into account the particular circumstances of each country:

(*a*) External indebtedness, viewed in an overall approach, should be tackled in the framework of a strengthened and improved strategy of co-operation of the international community for sustained world economic growth and development, particularly for developing countries;

(*b*) Recognizing the competence of the multilateral financial institutions, as well as that of the relevant specialized agencies, organs, organizations and bodies of the United Nations system in their respective mandates, the interrelated issues of debt, money, finance, resource flows, trade, commodities and development should be addressed in the context of their close interrelationship;

(*c*) In a spirit of common commitment and mutual co-operation, stronger growth and development in developing countries should be encouraged, involving the participation of all countries concerned, particularly creditor developed countries and debtor developing countries, multilateral financial institutions and international private banks, in addressing the debt problems of developing countries;

(*d*) A lasting solution to the debt problem also requires simultaneous and complementary actions in the areas of economic policy that are mutually supportive and envisages:

90/ *Official Records of the General Assembly, Fortieth Session, Annexes*, agenda item 84, documents A/40/989/Add.14, paras. 7 and 11, A/40/989/Add.3, para. 66, and A/40/989/Add.14, para. 12.

91/ *Ibid.*, *Thirty-third Session, Supplement No. 15* (A/33/15), vol. I, part two, annex I.

92/ *Ibid.*, *Thirty-fifth Session, Supplement No. 15* (A/35/15), vol. II, annex I.

93/ A/41/643.

Reprinted from Resolutions and decisions adopted by the General Assembly during the first part of its forty-first session from 16 September to 19 December 1986; press release. New York, United Nations, Department of Public Information, Press Section, 1987. p. 304-306. (Press Release GA/7463)

(i) Effective national adjustment processes and structural changes, pursued within national development priorities and objectives, should be growth-oriented; due regard should be paid to the economic, social and development needs of each country in the application of conditionality;

(ii) Supportive policies that encompass, *inter alia*, the dismantling of protectionism and expansion of international trade, increased financial flows, lending programmes by the international financial institutions and commercial banks in support of growth-oriented measures, lower real interest rates and improvements in commodity markets;

(iii) Coherent and co-ordinated policies on the part of industrialized countries, including strengthened multilateral surveillance, that promote a supportive international economic environment conducive to sustained and non-inflationary growth and adjustments addressing the imbalances in the world economy, including the reduction of trade imbalances and the promotion of greater foreign exchange market stability;

(e) There is an important relationship between a country's mobilization and utilization of its resources, net inflow of development finance and capital and foreign exchange export earnings, and the possibility for the servicing of its external debt; in this context, due account should be taken of the investment and import requirements and the fundamental economic and social needs of a country's population;

(f) Debt-restructuring arrangements and innovative development-oriented financial agreements should continue to be worked out, wherever appropriate, on terms and conditions that take into account the internal and external factors affecting the economy of the country concerned;

(g) Special attention should be given to the implementation of specific relief measures in favour of the least developed countries such as, *inter alia*, those contained in the Substantial New Programme of Action for the 1980s for the Least Developed Countries 94/ and Trade and Development Board resolution 165 (S-IX) of 11 March 1978; 95/

(h) *Recognizes*, in addition to the above elements, that in dealing with Africa's external indebtedness, the magnitude and servicing constitute a severe, restrictive and continuing burden for its economic recovery and long-term development. The international community, particularly the donor developed countries, reaffirm their agreement to adopt concrete measures, as well as on the importance of increasing official development assistance to Africa in support of adjustment efforts for development of African countries, in accordance with the provisions of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990; 96/

2. *Invites also* all those involved to take into account, as appropriate, the above in addressing the problems of external indebtedness of some other countries with serious debt-servicing problems;

3. *Requests* the Secretary-General to submit to the General Assembly at its forty-second session an updated version of his report on the international debt situation and the indicators related to it, under the same agenda item, taking into account the present resolution.

94/ *Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981* (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

95/ *Official Records of the General Assembly, Thirty-third Session, Supplement No. 15* (A/33/15), vol. I, part two, annex I.

96/ General Assembly resolution S-13/2.

Introduction

The emergence of a broad international consensus that the debt problem would not cease to be a serious concern and that the region's economic recession was lengthening dangerously was perhaps the most important development for Latin America in 1985.

The international economic environment was becoming less auspicious: apart from the rise in coffee prices induced by the Brazilian drought, commodity prices remained depressed and even oil prices slid into a deep decline that continued into the early months of 1986. By the end of the year no country of the region had been spared a sharp reduction of export earnings in one or more years of the 1980's. While nominal interest rates in the principal international financial markets continued to moderate, the external debt service—for most countries the payment of interest and fees only, with no amortization of the loan principal in sight—generally increased as a proportion of the foreign exchange earned from exports.

For 1986, it appears that most of the coffee-exporting countries will manage to increase their total export earnings, while those that rely heavily on petroleum—Ecuador, Mexico, Trinidad and Tobago and Venezuela—will have substantially lower revenues than in 1985. Overall, Latin America will probably experience another reduction in the value of its exports.

On the inflation front, there seems to be a growing distaste for accepting sustained high inflation, both in the countries that had appeared to have found ways to accommodate with what can only be termed a secular phenomenon, as well as in those that are newcomers to the cycle of frequent price changes. The most drastic of the programs designed to halt the process were initiated in Argentina, Bolivia, Brazil, and Peru.

The aggregate gross domestic product (GDP) of the region—measured in constant 1984 dollars—amounted to $685 billion in 1985, according to preliminary figures, compared with $660 billion in 1980 and $662 billion in 1984. But while GDP increased by a mere 3.9 percent between 1980 and 1985, the Latin American population went up from 341 million to 385 mil-

Reprinted from Economic and social progress in Latin America: 1986 report. New York, Inter-American Development Bank, 1986. p. 1-40.

lion inhabitants, or by 12.7 percent. Consequently, the regional per capita GDP fell from $1,933 in 1980 to $1,782 in 1985. Furthermore, the economic recovery of 1985 was principally due to the strong performance of Brazil, which accounted for $19 billion of the aggregate $23 billion increase over 1984. It may properly be said that for all of Latin America except Brazil, last year was one of economic stagnation rather than of emergence from the crisis of the past four years.

For the future resumption of adequate growth (Latin American GDP expanded at a compound rate of 5.8 percent between 1960 and 1980) the most pressing need is to rekindle investment, and the accompanying flow of imports of capital goods from the industrialized countries. It is precisely investment and imports that have been hardest hit in the adjustment process for dealing with the debt problem. In 1985, both remained at roughly the same low levels as in 1984. Import volume was about one-third lower than in 1980 and real gross domestic investment about 27 percent below that of 1980. The fall in investment was in stark contrast with the experience of the previous 20 years (1960-80), when gross domestic investment increased in real terms at a compound annual rate of 7.4 percent. Investment accounted for 25.5 percent of GDP in 1980, but for less than 18 percent in both 1984 and 1985.

There is little hope of Latin America emerging from the recession until it can stop transferring resources abroad as it has had to do for four consecutive years, a reversal of the long-term trend when foreign capital was used to augment domestic savings. In recent years—and again in 1985—the principal source of interest payments on the external debt has been the trade surplus generated by compressing imports; the countries have been unable to increase exports despite the adoption of policies designed to stimulate sales abroad, including most notably the abandonment of the overvaluation of national currencies that prevailed in the late 1970's and, for many countries, continued in the early 1980's. For many years the net inflow of capital had permitted a net transfer of resources to the region, but this flow became a trickle in 1985 as the private international banks, which had become the principal source of capital for Latin America in the 1970's, continued to restrict their new lending to the region, at the same time as net private direct investment also declined sharply. Only official financing from multilateral and, to a much lesser extent, national institutions, continued to play a significant positive role in external financing.

In practice, only three possibilities are open to Latin America if essential imports are to rise again: (1) a growth in export earnings; (2) a rise in net external financing; (3) a decline in debt service. For 1986 and beyond, an increase in export earnings depends on access to the markets of the developed countries and better prices for those commodities on which Latin America relies for obtaining most of its foreign exchange.

There is broad agreement that both official and private sources of capital from abroad must be increased. Mechanisms for achieving this increase have been under intense discussion and negotiation since late 1985. There is also increased understanding on the part of Latin America that transfers of private capital abroad from certain countries were sizable during one or more years since the mid-1970's and that there is a need to stimulate their return, at least in part. At the same time, private direct investment must also regain the more important role it played in the past.

Finally, for the countries of Latin America and for their principal economic partners—the countries of the Organization for Economic Cooperation and Development (OECD)—continuing to honor previous financial commitments at the cost of postponing growth, has become unacceptable. The only way out of the debt crisis is through a resumption of growth. To begin to convert this consensus into a reality is the challenge of 1986.

CHAPTER II

Recent Macroeconomic Trends

The International Context

The expansion of the economies of the seven principal industrialized countries[1] of the Organization for Economic Cooperation and Development (OECD) that began in 1983 continued in 1985, but at a much slower rate due to the deceleration of growth in the United States. World trade growth also plunged because of the strong influence of those countries on it. At the same time, their inflation rate fell slightly in 1985 from the previous year's level. For their part, the dollar prices of goods traded internationally, especially commodities, plummeted and consequently the balance of payments position of the developing countries deteriorated substantially.

Recent Economic Trends in the Developed Countries

The expansionary policies adopted almost simultaneously by the seven OECD countries at the end of the past decade had culminated in widespread inflation. In 1980, and again almost simultaneously, those same countries had adopted stabilization policies that drastically reduced inflation,[2] from 12 percent in 1980 to an average annual rate of 4 percent in 1983-1985 (which was higher than the average in the 1960's except in Japan and the Federal Republic of Germany). Unfortunately, these stabilization policies also caused the deepest international economic recession since the 1930's and produced a decline in the economic activities of most of these countries, in particular between 1980 and 1982.

The present recovery, which began in 1983, was not the result of the simultaneous adoption of expansionary policies; its almost exclusive motor was the economy of the United States. In the other industrialized countries. recovery began in 1984 and was induced by strong United States import demand. The average annual growth rate of these countries in the 1983-85 expansion was the same as in the past decade (3.6 percent). However, the bias introduced by the almost exceptional economic policy of the United States is reflected by the fact that it was the only country whose growth rate in 1983-85 was substantially higher than in the 1970's (4.1 percent as opposed to 3.1 percent). With the exception of the United Kingdom, the growth rates of the other countries were lower. Furthermore, the growth of the United States was very unstable; it rose from 3.7 percent in 1983 to 6.8 percent in 1984 only to fall to just over 2 percent in 1985.

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[1] Canada, France, Federal Republic of Germany, Italy, Japan, United Kingdom, and the United States.

[2] Weighted average by private consumption of inflation of each country as measured by the consumer price index.

In 1985 the average growth of the seven OECD countries slowed down considerably, to half the rate achieved in 1984 (5.2 percent). The United Kingdom was the only country in the group that accelerated its growth rate in 1985. This general deceleration was basically due to the lower growth rate of the United States.

Up to 1980, real interest rates[3] for dollar loans in the international markets had been falling. These rates, which were about 3 percent between 1961 and 1967, fell to 2 percent in the following five years and to 1 percent between 1973 and 1980. In 1980 there was a sharp reversal in the downward trend, with the result that in 1981-85 real rates averaged just under 8 percent—an unprecedented level. In 1985 both nominal and real rates fell. Nominal rates decreased from 12 percent in 1984 to just under 10 percent in 1985 and real rates, from 7.7 percent to 6.5 percent. However, the sharp fall in the dollar prices of commodities (in 1984 they rose by 2.4 percent and then fell by 12.7 percent in 1985), which are the basic export products of many developing countries, increased the real interest rates those countries paid on adjustable loans in 1985.

Beginning in 1980 the high interest rates in the United States affected the growth of the nominal and real rates for loans in other currencies (yens, marks, etc.). However, the rise in the rates of the other currencies was not sufficiently large to halt the flow of capital from the rest of the world into the United States. This flow, in turn, caused a strong appreciation of the dollar between 1981 and March 1985 when the nominal effective exchange rate of the United States dollar appreciated by 57 percent and the real rate,[4] by 45 percent. This appreciation has strengthened the role of the United States as the motor of the expansion of the world economy (because of its imports) and has created a large imbalance in the current account of its balance of payments.

This imbalance in the current account of the motor country has been the distinguishing feature of the present recovery of the world economy. In the expansionary phases of the previous postwar economic cycles of the United States, exports of goods and services grew on average at the same rate as imports. In the first six quarters of the earlier expansions, United States imports grew at a faster rate than its exports but, in the following six quarters, the growth of the economy of the rest of the world increased its demand for United States exports while the United States import demand decreased. Therefore, in the earlier expansionary cycles, the first and second phases of the expansion complemented each other and a certain equilibrium was maintained in the United States trade balance.

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[3] Taking as a basis the prime rate in the United States and using its consumer price index as a deflator.

[4] The real effective exchange rate of a country is the nominal exchange rate of its currency adjusted both by the weights of transactions with its trading partners and by the difference between its inflation rate and those of the other countries.

In contrast, in the present expansion, United States total imports grew much faster than its exports. In the first phase, imports grew by 25.7 percent annually and exports by only 6 percent and both decelerated in the second phase when imports grew by 4.5 percent and exports fell by 1.1 percent. In other words, in this phase of the present expansion the rates have not been reversed as in the earlier expansions, with the result that in 1985 the United States trade deficit amounted to $124 billion.

In March 1985 the value of the dollar began to fall. By December 1985 the effective exchange rate had fallen to its 1983 level. The fall has been very swift. While the annual appreciation rate was 7 percent between 1980 and 1985, between March and December 1985 the devaluation was 20 percent annually.

World Trade: Prices, Quantum, and Terms of Trade

The dollar prices of goods traded internationally gradually declined between 1980 and 1985. They fell at an average annual rate of 3.3 percent between 1980 and 1984 and decreased by 6.4 percent in 1985. The prices of both manufactures and commodities decreased.

The average rate of change in commodity prices masks large annual variations. Because of the short-term price inelasticity of the supply of commodities, their market price is very sensitive to an acceleration or deceleration in the growth of the real domestic product of the industrialized countries. Consequently, commodity prices fell during the 1980–82 recession (−13 percent annually), rose in the first two years of the expansion (5 percent annually), and again fell (−12.7 percent) in 1985 with the slowdown in economic growth that occurred in that year. This instability in commodity prices has been one of the most important problems of the external sector of the Latin American countries.

Of particular importance has been the fall in the price of oil during 1985 and its subsequent sharp drop. This decrease has very important redistributive effects in the energy-importing and -exporting countries as well as a heavy impact on the ability of the energy-exporting countries to pay their debts.

The stabilization policies adopted almost simultaneously by all the industrialized countries in 1980–1982 were clearly reflected in international trade. Thus, in 1981 and 1982, for the first time in the postwar period, the volume of international trade decreased (Table II-1). Since 1983 it has been growing but at a slower average rate than in the 1970's and in an unstable fashion, which reflects the swings in the growth of the United States and, with some lag, the appreciation of the dollar exchange rate. Consequently, it is not surprising that the increase in the volume of world trade in 1984 (8.7 percent) has been one of the highest in the postwar period. The corresponding rate for 1983 was 2 percent and that estimated for 1985 is 3.5 percent.

The nominal value of trade, which had been increasing at an average annual rate of more than 20 percent between 1970 and 1980—and at an even higher rate in the developing countries—fell in 1981, 1982, and 1983 only to recover in 1984 and again fall in 1985. For the developing countries, the setback was even more marked. It is noteworthy that the large increase in the external debt of the developing countries, especially those of Latin America, occurred during a period of sustained increase in export value—the 1970's—when neither the governments of the developing countries nor their creditors and the governments of the industrialized countries expected the drastic change in the trend of world trade that occurred in 1981-85. Nobody could have imagined that in 1985 export value would be substantially lower than in 1980.

Between 1980 and 1984 all the developing countries saw their export volume decrease (−1.6 percent annually) and their import volume stagnate (0.2 percent annually). The export performance of the developing countries is determined by the oil exporters, since, when they are excluded, the growth in the export volume of those countries has been approximately 5.9 percent annually and that of their imports, zero. These figures clearly demonstrate the economic adjustment effort those countries have been making since 1981.

In the 1970's the terms of trade had changed in favor of the oil countries and against the industrialized countries and the non-oil developing countries. However, in the more recent period, from 1981 to 1984, the oil developing countries, as well as the non-oil developing countries, have seen their terms of trade decline at an average annual rate of 2.1 percent in the case of the non-oil countries and of 1.4 percent in that of the developing countries as a whole (including the oil countries). There was a further deterioration in the terms of trade of the developing countries in 1985 when the prices of commodities fell much more than those of manufactures.

Latin America's Balance of Payments

In 1985, for the third successive year, the economies of Latin America have been adjusting to the problems of their external sector that became critical in 1982. The need to make the adjustment in this period was due to: (a) a cumulative decrease in the annual inflow of capital in this three-year period, which has brought the level of its flow below the annual level of any given year in the period 1980-1982; (b) an increase in the annual payment of interest and profit remittances, which have brought them to the double of those made in 1978-1981; and (c) a deterioration in the terms of trade, which in

Table II-1. World Merchandise Trade: Annual Growth Rate by Groups of Countries, 1970–1985
(Percentages)

Period	World	Industrialized Countries		United States		Developing Countries		Non-Oil Developing Countries	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
				Nominal value[1]					
1980/70	20.5	18.9	19.7	17.7	19.7	25.2	22.3	20.9	20.7
1984/80	−1.3	−0.5	−1.1	−0.3	7.3	−4.0	−1.3	2.5	−1.5
1981/80	−1.4	−1.7	−5.2	5.9	6.4	−2.1	9.2	2.7	6.3
1982/81	−6.5	−5.2	−6.1	−9.2	−6.8	−12.0	−4.5	−4.1	−9.8
1983/82	−3.1	−1.4	−1.6	−5.5	5.9	−6.0	−8.0	2.3	−4.8
1984/83	6.2	6.6	9.1	8.7	26.4	5.1	−1.1	9.5	3.3
1985/84[2]	−3.1	−2.1	−1.1	1.7	7.3	−9.5	−4.8	−4.3	−0.4
				Unit value[1]					
1980/70	14.1	11.9	14.2	10.1	14.6	21.6	13.9	11.9	13.9
1984/80	−3.3	−3.3	−3.9	3.1	0.3	−2.4	−1.5	−3.2	−1.5
1981/80	−1.2	−3.8	−2.4	9.2	5.5	6.1	3.6	−4.2	3.6
1982/81	−4.4	−3.4	−5.4	1.1	−1.6	−3.9	−4.2	−5.8	−4.2
1983/82	−5.0	−3.2	−5.2	1.1	−4.1	−10.1	−3.4	−3.8	−3.4
1984/83	−2.3	−2.8	−2.6	1.3	1.8	−1.0	−1.9	1.4	−1.9
1985/84[2]	−6.4	−5.1	−5.2	−0.7	−3.2	−3.9	n.a.	n.a.	n.a.
				Volume[1]					
1980/70	5.6	6.3	4.8	6.9	4.5	3.0	7.4	8.0	6.0
1984/80	2.1	2.9	2.9	−3.3	7.0	−1.6	0.2	5.9	0.0
1981/80	−0.2	2.2	−2.9	−3.0	0.9	−7.7	5.4	7.2	2.6
1982/81	−2.2	−1.9	−0.7	−10.2	−5.3	−8.4	−0.3	1.8	−5.8
1983/82	2.0	1.9	3.8	−6.5	10.4	4.6	−4.8	6.3	−1.4
1984/83	8.7	9.7	12.0	7.3	24.2	6.2	0.8	8.0	5.3
1985/84[2]	3.5	3.2	4.3	2.4	10.8	−5.8	n.a.	n.a.	n.a.

[1] The value in current dollars of exports and imports covers 81 countries: 19 industrialized and 62 developing countries. The unit values cover only 55 countries: 18 industrialized and 37 developing countries. Trade volumes were calculated from values in current prices and unit values, assuming that the unit values of the 37 developing countries are representative of all 62 countries.

[2] 1985/84 is based on the first half of the year.

n.a. Not available.

Source: International Monetary Fund (IMF) *International Financial Statistics*, several issues.

1985 were 21 percent below the average for 1979-80. The adjustment of the external sector is being brought about primarily through the adoption of real effective exchange rates that are much higher than those in the past two decades, the purpose being: (a) to stimulate the volume of merchandise exports (which at present is the highest in the postwar period); and (b) to decrease the volume of imports (which has been cut back to the 1974-75 levels).

Table II-2, which presents the regional balances of payments, clearly demonstrates the developments described. Table II-3 shows for the region as a whole the trend during the past fifteen years of its terms of trade, the value in current dollars and the volume of merchandise exports and imports, and the indices of the unit value and of the real effective exchange rate.

Merchandise Exports

Unlike what happened in world trade, the export volume of Latin America has grown at a higher rate in 1980-84 than in 1970-80. Whereas the growth rate in world trade fell from 5.6 percent to 2.1 percent, that of Latin America's export volume rose from 5.8 percent to 7.2 percent annually (Table II-3). Shipments in 1985 were 20 percent higher than in 1981. This increase reflects the extraordinary export effort the region has been making for the purpose of fulfilling its financial obligations.

Whereas in the 1970's the unit value of Latin American exports grew at an annual rate equal to that of world trade (14 percent), between 1981 and 1984 the fall in the prices of Latin American exports (−4.6 percent annually) was larger than that of world trade (−3.3 percent). In 1985 the (estimated) unit value of Latin American exports fell by 6.6 percent. Thus, despite the increase in the volume of exports, their value in current terms in 1985 is estimated to have been 5.5 percent lower than in 1984. At the end of the year only one product of importance in the export earnings of the region, namely coffee, was showing a price rise, but at the same time the price of oil was beginning to collapse.

Merchandise exports provided about 70 percent of Latin America's foreign exchange in 1978-1981. In the 1982 crisis, this proportion rose to 79 percent and, in the following three years of adjustment, it averaged 93 percent. Despite the fall in current value in 1985, the share of exports in the provision of foreign exchange rose from 88.8 percent in 1984 to 95.5 percent in 1985. Because of the dwindling capital inflows, exports became almost the only provider of foreign exchange for Latin America.

Merchandise Imports

Between 1970 and 1980 the volume of Latin American imports grew much more rapidly than that of exports; beginning in 1982 the trend was abruptly reversed. In 1985 the import volume of the region was 37 percent lower than the previous high achieved in 1981. Imports have fallen to a lower level than in 1974. In 1985 the real gross domestic product (GDP) of the region was

Table II-2. Latin America:[1] Balance of Payments Summary, 1980–1985
(Millions of dollars)

	1980	1981	1982	1983	1984^P	1985^E
A. Goods, services, and transfers	−27,428.8	−39,863.6	−38,956.3	−8,012.7	−2,056.3	−3,652.2
1. Trade balance	−1,522.3	−2,174.8	7,353.9	30,137.0	36,880.3	32,724.5
Exports (FOB)	93,946.0	100,684.7	86,298.3	91,537.1	100,578.6	95,632.8
Imports (FOB)	−95,468.3	−102,859.5	−78,944.4	−61,400.0	−63,698.3	−62,908.3
2. Services balance	−27,179.8	−39,127.1	−47,292.4	−39,828.5	−40,916.1	−38,964.0
Freight and insurance	−4,094.7	−4,426.6	−3,153.0	−2,029.4	−2,086.0[a]	n.a.
Other transportation	−2,742.3	−2,973.7	−2,231.0	−1,417.2	−1,693.5[a]	n.a.
Travel	−980.2	−1,852.2	−1,709.4	1,047.6	1,367.3[b]	n.a.
Investment income	−18,656.0	−27,797.0	−36,783.0	−34,899.5	−37,058.8	−35,967.0
Government not included in other items	−18.2	−441.4	−502.3	−444.8	−250.1[a]	n.a.
Other services	−688.4	−1,636.2	−2,913.7	−2,085.2	−1,455.9[a]	n.a.
3. Unrequited transfers	1,273.3	1,438.3	982.2	1,678.8	1,979.7	2,587.3
Private	501.5	641.3	124.5	623.1	815.6	n.a.
Government	771.7	795.8	857.9	1,055.4	1,163.9	n.a.
B. Capital account	35,021.2	49,063.4	27,609.1	6,061.0	11,576.1	5,953.8[c]
1. Non-monetary sectors	26,978.8	30,429.9	25,211.2	7,626.7	n.a.	n.a.
Private sector	21,757.9	24,649.2	7,561.5	−12,082.5	n.a.	n.a.
Direct investment	5,711.2	7,492.0	5,680.6	3,456.9	3,135.1[a]	n.a.
Portfolio investment	974.2	2,413.7	4,472.1	557.1	n.a.	n.a.
Other long-term private capital	12,642.8	21,397.2	10,365.0	−1,963.9	n.a.	n.a.
Other short-term private capital	2,429.7	−6,653.8	−12,956.2	−14,132.6	n.a.	n.a.
Government	5,220.9	5,780.7	17,649.6	19,709.2	n.a.	n.a.
Long-term	4,091.0	4,857.6	9,328.9	16,880.0	n.a.	n.a.
Short-term	1,129.9	923.2	8,320.7	2,829.2	n.a.	n.a.
2. Monetary sectors						
Bank deposits	8,044.2	18,636.9	2,397.5	−1,564.4	n.a.	n.a.
Long-term	4,885.8	10,757.7	2,866.7	8.4	n.a.	n.a.
Short-term	3,158.4	7,879.1	−469.2	−1,572.8	n.a.	n.a.
C. Reserves and related items (increase-)	−2,108.0	2,310.9	20,281.3	5,609.4	−8,802.5	982.4
D. Errors and omissions	−5,484.5	−11,510.7	−8,933.9	−3,657.6	−717.4	−3,284.0[d]

[1] Includes the 25 Latin American and Caribbean member countries of the IDB.

[P] Provisional. [E] Estimated. [b] Excludes Guyana.

[a] Excludes the Dominican Republic.

[c] Includes "errors and omissions" of Argentina, Colombia, the Dominican Republic, Ecuador, El Salvador, Guyana, Haiti, Honduras, Jamaica, Panama, Suriname, and Venezuela.

[d] The "errors and omissions" of the countries mentioned in footnote (c) are included in the capital account.

n.a. Not available.

Note: Details may not add up to totals because of rounding.

Sources: ECLAC, IMF, and own estimates.

approximately 45 percent higher than in 1973-74 but had to be produced with the same import volume.

Merchandise imports required just over 70 percent of foreign exchange inflows in 1978-1982 but their share was reduced to about 60 percent in the three years of adjustment to permit payment of the increase in interest and profits on foreign capital in those years.

The very uneven growth in the volume of imports and in that of exports in the 1970's was financed by the improvement in the terms of trade and the inflow of external capital. This situation was reversed in 1982 when the decrease in the volume of imports and the increase in that of exports had to offset the decline in the terms of trade and the sharp reduction in external financing. External financing has clearly not played a compensatory role since it expanded when the external situation of the region was favorable and contracted when it was unfavorable.

Real Effective Exchange Rate

Between 1982 and 1985 the devaluation of the real exchange rate was a very important tool for reducing imports and expanding exports.

Between 1970 and 1980 the real effective exchange rate of the region remained rather stable around its median of 104 (base 1970 = 100). However, the large and increasing flows of external capital that entered the region in 1977-1981 permitted a constant appreciation of the real effective exchange rate whose index fell from 109.2 in 1977 to 94.4 in 1981 (Table II-3). In other words, a 13 percent appreciation, which of course was an important factor in generating an increase in import volume in those years. This appreciation was followed by two major devaluations: 17 percent in 1982 and 11 percent in 1983, which brought the index of the real effective exchange rate to 123 in 1983 and to an average of 120 in 1983-85 or 15 percent higher than its average in 1970-80. The average import volume was 38 percent lower in 1983-85 than in 1980-81. More than two-thirds of this fall may be attributed to the devaluation of the real effective exchange rate between those two periods.[5]

Although the real effective exchange rate was much higher in 1984 and 1985 than in any of the years before 1983, the region has seen its currencies appreciate marginally in these years, by 2.8 percent in 1984 and 1.9 percent in 1985.

Balance of Trade in Goods and Non-Financial Services

Between 1975 and 1981 the merchandise account of the balance of payments of Latin America showed a deficit. In 1982 it moved to a surplus of more than $7 billion current dollars. By 1983 that surplus amounted to $30 billion, despite the worsening of the terms of trade in that year. The mainte-

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[5] The devaluation was 23 percent in the averages of those two periods and the effective exchange rate elasticity of the import demand of the region is approximately −1.17.

Table II-3. Latin America:[1] External Trade in Goods, 1970–1985

ANNUAL GROWTH RATE (percentages)

Period	Merchandise Exports			Merchandise Imports			Terms of Trade[4]	Real Effective Exchange Rate[5]
	Nominal	Unit Value[2]	Volume[3]	Nominal	Unit Value[2]	Volume[3]		
1980/70	20.7	14.0	5.8	21.6	12.0	8.6	1.8	0.1
1984/80	2.3	−4.6	7.2	−10.2	0.2	−10.4	−4.8	4.3
1981/80	7.6	−3.7	11.7	7.8	5.7	2.0	−8.8	−6.4
1982/81	−14.1	−10.4	−4.1	−24.5	−1.4	−23.5	−9.1	17.2
1983/82	6.1	−6.3	13.3	−24.0	−1.8	−22.6	−4.5	11.2
1984/83	11.4	2.2	9.0	5.2	−1.5	6.8	3.8	−2.8
1985/84*	−5.5	−6.6	1.1	−2.4	−1.3	−1.1	−5.3	−1.9

ABSOLUTE VALUES AND INDICES

Period	Merchandise Exports			Merchandise Imports			Terms of Trade Index[7]	Real Effective Exchange Rate Index[7]
	Nominal[6]	Index of Unit Value[7]	Volume[8]	Nominal[6]	Index of Unit Value[7]	Volume[8]		
1970	13,616	100.0	13,616	12,774	100.0	12,774	100.0	100.0
1971	14,030	101.9	13,765	14,187	104.7	13,555	97.4	100.6
1972	16,328	111.3	14,669	16,147	111.3	14,511	100.0	106.7
1973	23,558	148.0	15,918	21,451	130.5	16,433	113.4	103.5
1974	36,435	233.1	15,628	36,859	177.5	20,766	131.5	98.8
1975	33,565	219.6	15,285	39,257	193.3	20,309	113.6	109.9
1976	39,072	237.5	16,453	40,743	200.0	20,369	118.7	104.1
1977	46,619	263.2	17,713	46,872	208.9	22,429	125.9	109.2
1978	50,082	253.5	19,756	53,325	225.1	23,694	112.6	108.8
1979	67,383	306.6	21,977	67,087	262.1	25,598	117.0	104.0
1980	89,157	371.1	24,028	90,545	309.8	29,228	119.8	100.8
1981	95,943	357.4	26,841	97,611	327.3	29,821	109.2	94.4
1982	82,452	320.4	25,731	73,658	322.7	22,826	99.3	100.7
1983	87,520	300.4	29,144	55,965	316.8	17,667	94.8	123.0
1984	97,499	307.0	31,759	58,866	311.9	18,874	98.4	119.6
1985*	92,103	286.9	32,105	57,465	307.8	18,672	93.2	117.2

* Preliminary.

[1] Includes only 19 of the 25 IDB countries. Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago are excluded because of lack of information about the unit value of imports and exports.

[2] Price in current dollars of a unit of value.

[3] In 1970 dollars.

[4] Unit value of exports/Unit value of imports.

[5] It is the weighted average of the effective exchange rate of each of the countries, in units of national currency per unit of foreign exchange. The consumer price index of the Latin American countries and of their trading partners was used as the deflator. Includes the 25 Latin American and Caribbean member countries of the IDB.

[6] Millions of current dollars.

[7] Base 1970 = 100.

[8] Millions of 1970 dollars. It is the nominal value divided by the unit value index.

Source: ECLAC, IMF, and own estimates.

nance of high real effective exchange rates in 1984, the rapid growth of the United States and, to a lesser extent, of the other developed countries, and the improvement in the terms of trade in that year, again increased the surplus, to over $37 billion. In 1985, despite the slowdown in the growth of the developed countries and a further worsening of the terms of trade, the (estimated) surplus was about $33 billion.

To sum up, in the period 1983-85, the region was able to sustain a surplus of more than $30 billion in its trade balance due to the fact that it had a high real exchange rate and the developed countries were in a phase of economic expansion, notwithstanding the deterioration in the terms of trade of the region.

The balance of non-financial services has always been negative. This deficit widened between 1974 and 1981, from about $900 million in 1973 to more than $11 billion in 1981. As in the case of the balances of merchandise trade, 1982 was a year of transition, the deficit falling slightly to $10 billion. In the following years there was a major adjustment and the deficit fell to $5 billion in 1983, $4 billion in 1984, and to a similar or lower figure in 1985. The reduction in the services deficit was across-the-board but was especially marked in tourism. In 1981-1984 the services deficit was reduced by about $7 billion, of which almost half was due to tourism.

The balance of the goods and non-financial services account increased by about $39 billion between 1981 and 1983 (it moved from a deficit of $14 billion to a surplus of $25 billion) and amounted to $34 billion in 1984 and $30 billion in 1985. Despite an increase of about $8 billion in the payment of interest and profit remittances between 1981 and 1983-85, this improvement made it possible to reduce the deficit in the region's current account from about $40 billion in 1981 to $8 billion in 1983 and $2 billion in 1984. In 1985 the current account deficit is estimated to have been $4 billion.

Capital Flows

Between 1978 and 1981, capital inflows to the region grew steadily so that by 1981 they were double those of 1978. However, beginning in 1982 the balance of the capital account, although still positive, was sharply reduced. Nevertheless, if the capital flow recorded as a short-term outflow and the "errors and omissions" item of the balance of payments are taken into account, the total share of capital in foreign exchange availabilities has tended to decrease even more, since unrecorded short-term capital began to flee the region in 1981, stimulated by the conviction that the exchange rates of a number of Latin American countries were overvalued in those years and, possibly, by other reasons.[6]

Because of the buildup of the external debt and the increase in nominal interest rates, the payment of interest and profit remittances by the region grew steadily up to 1982 and at a higher rate than the net capital inflow between 1978 and 1982.

In 1982, the year of the crisis in the external sector of the region, the capital inflow fell by 44 percent (from $49 billion in 1981 to $27.6 billion in 1982). In contrast, the payment of profits and interest on external capital rose by 32 percent (from $27.7 billion to $36.7 billion) with the result that the net transfer of financial resources (capital account plus investment income) turned negative for the first time. If non-recorded capital is added to net transfers, the impact is even greater.

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[6] "Flight of capital" from Latin America has been the subject of a lengthy debate, but it is difficult to reach clear conclusions because of the difficulties in quantifying the outflow of capital—a large part of which is assumed to be illegal—and because it is impossible for obvious reasons to interview the persons directly involved. Figures of two and up to four times higher than those suggested by the "errors and omissions" items have been mentioned.

It is therefore clear that since 1982 foreign capital has not facilitated the adjustment of the external sector of Latin America that became necessary because of the high interest rates and the deterioration in the terms of trade; rather its reduction has become one more reason for the need for adjustment. Furthermore, the capital flow has not been voluntary; a large part of it has been the capitalization of part of the interest resulting from negotiations for rescheduling the payment of the external debt.

Capital inflow fell to $6 billion in 1983. To find such a low capital inflow to the region we have to go back to 1972. In 1984 the optimism created by the high growth of the economy of the developed countries and of world trade, as well as some recovery in the terms of trade of Latin America caused the capital flow to rise to more than $11 billion (about the same as the annual average in 1973–74). Capital flows, which provided 25 percent of the inflow of foreign exchange in 1982, accounted for only 6 percent in 1983 and 9 percent in 1984. With the deceleration of the growth of the developed countries and the worsening of the terms of trade in 1985, the pessimism of providers of external capital (credits and direct investments) about the situation in the region appears to have again increased in that year, and reduced the net inflow of capital to a level even lower than that of 1983.

Since 1982 the Latin American countries have been renegotiating the maturities of their external debt. This process is reflected in part in the decrease in short-term debt and its conversion into long-term debt.

Between 1982 and 1985 the payment of profits and interest on external capital remained at around $36 billion annually. The effects of the increase in the debt in those years were offset by the decrease in the current dollar interest rate.

To sum up, the net transfer of resources (capital inflow less payment of profits and interest) during the four-year period has been negative, and close to $100 billion, that is, it has been higher than the positive net transfer of the preceding eight years, which included the entire period of the recycling of petrodollars.

Production, Employment and Inflation

Production

As a whole, Latin America appeared to have achieved a second consecutive modest recovery in 1985, when gross domestic product expanded 3.5 percent. Coming after the recovery of 3.2 percent in 1984 this means that the region has finally surpassed the peak in production reached in 1981. However, the story of 1985 is really one of continuing decline, stagnation or only marginal improvement in nearly all the countries, and outstanding performance in only one, Brazil, whose GDP jumped more than 8 percent. The uniqueness of Brazil's performance is highlighted by the fact that in no other country did production increase by more than 4 percent and in only five countries (Bahamas, Ecuador, Honduras, Panama and Paraguay) was it better than 3 percent. (See Table II-4).

If Brazil is excluded, Latin American GDP growth in 1985 was less than 1 percent. In per capita terms the difference is between an increase of 1.0 percent, when Brazil is included, and a decrease of 1.0 percent when it is excluded. Indeed, per capita GDP declined in more than half the Latin American countries. The 1981-85 quinquennium clearly represents a serious interruption in the region's two-decade economic expansion, when overall GDP growth was 5.8 percent and, on a per capita basis, 3.2 percent.[1] For several countries (Bolivia, El Salvador, Guatemala, Haiti, Honduras, and Venezuela) the 1980's have been a decade of steady erosion in living standards.

In 1985, per capita GDP for the region was 8 percent below that of '1980. But for 14 countries it was more than 10 percent lower, and for another 7, more than 15 percent lower (in descending order of significance they were Bolivia, Venezuela, Guatemala, Guyana, Argentina, Uruguay, and El Salvador). For Guyana the deterioration began even earlier, in 1976, and for Bolivia and El Salvador, in 1979.

This failure to sustain the development momentum has come at a time of maximum labor force expansion, which reflects the peak demographic growth of the 1960's and early 1970's. According to estimates by the Latin American Demographic Center (CELADE) for nearly all the IDB member countries, the Latin American labor force increased, grosso modo, from 113 million in 1980 to 131 million in 1985.[2] The pressure on labor markets has thus been strong, and the quality of jobs available in the cities—where more than two-thirds of all Latin Americans now live—has worsened, since the industrial sector has stagnated (manufacturing output in 1985 was lower than in 1980), and construction suffered the steepest decline of all major sectors of economic activity in 1982-84 (see Table II-5). Despite the partial recovery of 1985, value added by the construction sector was 16 percent lower that year than in 1980. In a few countries the cutbacks in public sector infrastructure investments, and the decline in private sector fixed investment, have been so large that the level of construction activity was lowered by roughly one half between 1980 and 1985 (Argentina, Guatemala, Uruguay, Venezuela). If in Venezuela, for example, construction activity had been held at the already reduced level of 1983, overall GDP would have shown a marginal increase in 1984 and 1985, instead of the decline actually recorded, seeing that both manufacturing and agriculture showed positive growth in those two years.

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[1] In all the 25 countries except Colombia, per capita GDP was lower in 1985 than in 1980 or 1981.

[2] Counting only persons aged 15 years and over. Even if the age group 10-14 years were also counted, the increase would be about the same because the labor force in that age group has not been growing in absolute terms (it contained about 4 million persons in both 1980 and 1985).

Table II-4. Gross Domestic Product, Total and Per Capita, by Country, 1961-1985.
(Percentages)

Country	Proportion of Regional GDP			Growth Rates									Growth Rates of GDP Per Capita					
	Averages			Averages[1]			Annual					Average[1]	Annual				
	1961-70	1971-80	1981-85	1960-70	1970-80	1960-80	1981	1982	1983	1984	1985*	1960-80	1981	1982	1983	1984	1985*
Argentina	14.9	11.7	9.3	4.1	2.4	3.3	-6.5	-5.2	3.4	2.4	-4.4	1.7	-8.0	-6.8	1.6	0.7	-5.9
Bahamas	n.a.	0.2	0.3	n.a.	6.2[a]	6.2[a]	1.0	1.0	1.5	3.0	3.5	3.6[a]	-1.2	-1.6	-1.0	0.5	1.0
Barbados	0.2	0.1	0.1	6.2	1.6	3.9	-3.1	-4.6	0.5	2.2	2.4	3.2	-4.2	-5.7	-0.6	1.1	1.7
Bolivia	1.2	1.1	0.9	5.0	4.5	4.7	-0.3	-6.6	-7.3	-3.1	-2.1	2.0	-3.0	-9.1	-9.8	-5.7	-4.8
Brazil	27.3	32.8	34.7	5.4	8.6	7.0	-1.6	0.9	-3.2	4.5	8.3	4.3	-4.0	-1.6	-5.5	2.1	5.7
Chile	5.1	3.6	3.2	4.2	2.5	3.4	5.5	-14.1	-0.7	6.3	2.0	1.4	3.9	-15.6	-2.4	4.6	0.3
Colombia	4.7	4.6	4.7	5.2	5.5	5.4	2.3	0.9	1.0	3.2	2.8	2.9	1.0	-0.3	-0.3	2.0	1.5
Costa Rica	0.6	0.7	0.6	5.9	5.6	5.8	-2.3	-7.3	2.9	7.5	1.6	3.1	-4.8	-9.7	0.2	4.8	-0.9
Dominican Republic	1.0	1.1	1.2	5.1	6.9	6.0	4.1	1.7	3.9	0.4	-2.2	3.5	1.4	-0.7	-1.6	-1.9	-4.6
Ecuador	1.3	1.5	1.7	4.9	8.9	6.9	3.9	1.2	-3.1	4.1	3.2	3.7	0.8	-1.9	-6.0	0.9	0.3
El Salvador	0.9	0.8	0.6	5.6	3.2	4.4	-8.3	-5.6	0.8	1.5	1.6	1.7	-9.0	-6.4	0.0	-1.3	-0.5
Guatemala	1.6	1.6	1.5	5.5	5.7	5.6	0.7	-3.6	-2.5	0.6	-1.1	2.6	-2.1	-6.3	-5.3	-2.1	-3.9
Guyana	0.2	0.1	0.1	3.4	1.7	2.6	1.5	-12.8	-7.2	3.8	1.0	1.2	0.5	-13.6	-8.0	2.7	0.1
Haiti	0.4	0.3	0.3	0.8	4.7	2.7	-2.7	-3.9	0.9	1.8	1.7	1.0	-4.4	-5.7	-1.0	-0.2	0.0
Honduras	0.5	0.5	0.5	5.0	4.8	4.9	1.2	-1.8	-0.5	2.8	3.0	1.7	-2.1	-4.9	-3.8	-0.6	-0.2
Jamaica	1.1	0.8	0.6	5.4	-0.9	2.2	4.0	0.0	1.8	-0.4	-4.0	1.0	2.7	-1.3	0.1	-2.1	-5.6
Mexico	22.3	23.6	26.3	7.0	6.6	6.8	7.9	-0.5	-5.3	3.7	2.7	3.6	4.8	-3.4	-8.0	0.7	-0.3
Nicaragua	0.7	0.6	0.4	6.9	0.3	3.6	5.4	-0.8	4.4	-1.4	-2.6	0.5	1.9	-4.1	1.0	-4.7	-5.9
Panama	0.6	0.6	0.7	7.9	5.5	6.7	4.2	5.5	0.4	-0.4	3.3	4.2	1.8	3.2	-1.7	-2.5	1.0
Paraguay	0.7[b]	0.8	1.0	4.7[b]	8.8	6.9[c]	8.7	-1.0	-3.0	3.1	4.0	3.8[c]	5.4	-4.0	-5.8	0.1	0.7
Peru	4.3	3.7	3.2	5.2	3.5	4.3	3.1	0.9	-12.0	4.7	1.5	1.7	0.5	-1.7	-14.2	2.1	-1.1
Suriname	n.a.	0.1	0.2	n.a.	0.7[a]	0.7[a]	6.5	-4.1	-3.9	-0.1	-5.1	0.2[a]	5.9	-4.3	-4.4	-0.6	-5.4
Trinidad and Tobago	0.6	0.5	0.5	4.2	4.8	4.5	4.6	2.5	-3.6	-6.6	0.5	3.1	2.9	1.0	-5.3	-8.1	-0.9
Uruguay	1.7	1.2	1.0	1.5	3.0	2.3	1.9	-9.4	-5.0	-3.3	0.7	1.7	1.4	-9.8	-5.5	-3.8	0.2
Venezuela	8.3	7.6	6.6	6.1	4.1	5.1	-0.3	0.7	-5.6	-1.4	-0.4	1.8	-3.3	-2.2	-8.2	-4.0	-3.3
Latin America	**100.0**	**100.0**	**100.0**	**5.5**	**6.0**	**5.8**	**1.4**	**-1.0**	**-3.1**	**3.2**	**3.5**	**3.1**	**-1.0**	**-3.3**	**-5.4**	**0.8**	**1.0**

[1] Cumulative.
[a] 1975-80
[b] 1962-70
[c] 1962-80
n.a. Not available
Source: IDB, based on official statistics of member countries. For further details, see the section on National Accounts in the Statistical Appendix.
* Preliminary estimate.

Table II-5. Latin America: Structure and Growth of Gross Domestic Product, by Sectors, 1961-1985
(Percentages)

	Structure								Growth Rates							
	Average			Annual					Average			Annual				
	1961-70	1971-80	1981-85	1981	1982	1983	1984	1985*	1960-70	1970-80	1960-80	1981	1982	1983	1984	1985*
Primary	20.1	15.3	14.9	14.4	14.5	15.0	15.2	15.1	3.6	3.5	3.6	4.6	0.1	0.3	4.1	3.3
Agriculture	15.6	12.1	11.6	11.3	11.4	11.8	11.8	11.9	3.5	3.7	3.6	4.7	-0.2	0.4	3.8	3.6
Mining	3.3	4.6	3.2	3.1	3.2	3.3	3.3	3.3	3.9	2.9	3.4	4.1	1.3	0.0	5.1	2.2
Secondary	35.6	39.6	40.0	40.4	40.2	39.6	39.8	39.9	6.6	7.1	6.9	-0.6	-1.4	-4.7	3.8	3.7
Manufacturing	22.8	24.9	23.8	24.0	23.7	23.5	23.8	24.0	7.0	6.5	6.7	-2.6	-2.1	-4.4	4.8	4.4
Electricity	1.3	1.9	2.7	2.3	2.5	2.7	2.9	3.0	10.8	9.8	10.3	4.5	5.9	5.6	8.3	7.0
Construction	5.4	5.7	5.2	5.8	5.6	5.0	4.7	4.7	4.9	6.9	5.9	1.1	-4.6	-13.7	-3.0	4.1
Transport	6.1	7.2	8.3	8.2	8.4	8.4	8.4	8.2	6.0	8.6	7.3	3.0	1.0	-2.6	3.7	0.5
Tertiary	44.3	45.1	45.2	45.2	45.3	45.4	45.0	45.0	6.1	6.0	6.0	2.5	-0.8	-3.0	2.4	3.4
Commerce	18.8	18.5	17.8	18.5	18.1	17.6	17.5	17.4	5.7	5.9	5.8	2.0	-2.7	-5.8	2.4	3.1
Financial Serv.	9.5	9.6	9.6	9.4	9.4	9.8	9.7	9.8	6.4	5.6	6.0	1.5	-0.9	0.2	2.6	4.3
Other Serv.	8.6	9.6	10.4	10.3	10.4	10.4	10.3	10.5	6.6	7.0	6.8	3.7	0.8	-3.2	2.2	4.9
Government	7.3	7.4	7.3	7.1	7.3	7.5	7.4	7.3	5.9	5.4	5.7	3.4	1.9	0.3	2.3	0.9
G.D.P.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0								

Source: IDB, based on official statistics of the member countries.
For further details see the section on National Accounts in the Statistical Appendix.

* Preliminary estimate.

In 1985, for the second consecutive year Latin American agriculture staged a solid expansion comparable to its historical average, while manufacturing had another year of recovery—though the rate of increase of value added in 1984-85 was still considerably lower than the historical rate in 1960-1980. At the same time, all the tertiary sectors except government services continued to rebound.

Employment

The regional unemployment rate steadily increased between 1980 and 1984. For the countries for which reliable information is available, there was no significant change in the regional unemployment rate in 1985 from 1984. Preliminary information indicates that the open unemployment rate fell slightly in some countries (Brazil, Chile, Mexico, Uruguay, and Venezuela) and rose moderately (Colombia, Costa Rica, and Panama) or sharply in others (Argentina). (See Table II-6).

However, information on the regional unemployment rates mask important changes in the structure and dynamics of the labor markets of the individual countries. First, cyclical changes in open unemployment are accompanied by changes in the participation rates. There is a connection between the time a person seeking employment remains unemployed and his decision to stay in the labor market. As that time lengthens, expectations of finding a job decrease, with the result that the person gives up looking for work (discouraged worker), and is thus technically not unemployed. In the main, this phenomenon mostly affects the participation of women and of young persons who are not heads of household, the groups that usually and more easily find alternative employment outside the formal labor market and whose income is normally not the mainstay of their family. It may therefore be inferred that estimates of open unemployment underestimate the actual levels of unemployment. Second, the crisis is affecting the primary labor force (i.e., heads of households of working age) more strongly than in the past. This segment of the work force represents the principal (and in most cases the only) source of income of many Latin American families. As a result, the deterioration in real terms of family income levels is not surprising.

In addition, the crisis has worsened the problem of visible underemployment. One of the effects of the economic recession has in many cases been a reduction in the working day. This phenomenon is associated with a decrease in aggregate demand and is reflected both in the smaller number of hours worked and in the growth of the urban informal sector. This segment of the work force, characterized by low levels of productivity and of income, as well as by a high degree of instability in the duration of employment, is at present estimated to comprise more than 30 percent of total urban employment in the region. This form of adjustment of the labor market appears to have been important in such countries as Argentina, Costa Rica, Ecuador, Mexico, and Peru.

Table II-6. Open Unemployment Rates, by country, 1978–1985
(Percentages of the labor force)

	1978–1980[1]		1981		1982		1983		1984		1985	
Countries with moderate unemployment (rates below 7%)	Argentina	2.8	Paraguay	2.2	Mexico	4.2	Argentina	4.6	Argentina	4.6	Mexico	5.0
	Paraguay	4.6	Mexico	4.2	Argentina	5.3	Brazil	6.7	Mexico	6.0	Brazil	5.3
	Costa Rica	5.7	Argentina	4.7	Paraguay	5.6	Mexico	6.7	Costa Rica	6.6	Argentina	6.3
	Mexico	5.7	Uruguay	6.7	Brazil	6.3					Costa Rica	6.7
	Venezuela	5.8	Venezuela	6.8								
	Bolivia	6.5										
	Brazil	6.5										
Countries with high unemployment (rates equal to or higher than 7%)	Uruguay	8.6	Brazil	7.9	Venezuela	7.8	Paraguay	8.4	Brazil	7.1	Panama	11.5
	Colombia	9.2	Colombia	8.2	Colombia	9.3	Costa Rica	8.5	Paraguay	7.4	Uruguay	13.1
	Panama	10.3	Chile	9.0	Bolivia	9.4	Venezuela	10.5	Panama	11.1	Venezuela	13.3
	Peru	10.8	Costa Rica	9.1	Costa Rica	9.9	T. Tobago	11.0	Bolivia	12.6	Colombia	14.1
	T. Tobago	11.0	Bolivia	9.7	T. Tobago	9.9	Panama	11.2	T. Tobago	13.0[a]	Chile	17.0
	Chile	12.8	Peru	10.4	Panama	10.4	Colombia	11.8	Colombia	13.4	Barbados	17.4[b]
	Barbados	12.9	T. Tobago	10.4	Peru	10.6	Bolivia	12.1	Uruguay	14.0		
	Jamaica	26.6	Barbados	10.8	Uruguay	11.9	Peru	13.9	Venezuela	14.3		
			Panama	11.8	Barbados	13.8	Barbados	15.0	Nicaragua	16.3		
			Nicaragua	15.8	Nicaragua	19.9	Nicaragua	15.2	Peru	16.4		
			Jamaica	25.9	Chile	20.0	Uruguay	15.5	Barbados	17.1		
					Jamaica	27.4	Chile	19.0	Chile	18.5		

[a] First semester.
[b] First quarter.
[1] Simple average.
Source: IDB, with data from PREALC, March 1986.

Furthermore, the population growth rate, although it has slowed in the past twenty years, is still high. Although it could fall dramatically in the short-term (as a result, for example, of a larger decrease in fertility rates), the growth of the labor force is basically determined by the past growth of the population, with a lag of about 15 years. In other words, all the persons who will be looking for jobs by the end of the twentieth century have already been born.

The limited economic growth and the financial stringency expected in 1986 necessarily imply a continuation of high levels of unemployment and underemployment. Towards the end of 1985 an international consensus began to emerge about the pressing need to restore the economic growth of the region and the inability of the governments to indefinitely keep in place drastic austerity programs that may endanger, because of their effects on employment and social welfare, the internal stability of the countries. Only as a result of a strong and sustained economic recovery would it be possible to ensure that the growing labor force is efficiently absorbed by the productive apparatus of the country and that a further erosion in the levels of welfare and an escalation of social stresses are averted. In 1985, the reaction of some countries was to launch special and emergency programs designed to increase the use of the labor force affected by unemployment. However, it is already clear that the changes required cannot be brought about solely by the use of short-term palliatives; they demand a redesign of development policies. In turn, substantial investments will be required if the changes in the direction of economic policy are to have the expected effects.

Inflation

Drastic measures were taken to contain inflation in Latin America in 1985. During the year, the number of countries with low inflation was reduced, as was the number with moderate inflation (price rises of 5–15 percent). Indeed, only eight countries had lower inflation in 1985 than in the previous year (Barbados, Ecuador, Honduras, Jamaica, Mexico, Panama, Trinidad and Tobago, and Venezuela), and of these only Trinidad and Tobago can be said to have made a major advance.

During the course of the year, however, comprehensive frontal attacks on inflation were undertaken in four countries that have traditionally had very high rates: Argentina, Bolivia, Peru, and Brazil. All had lived with three-digit inflation for two or more years, and the governments concluded that a gradual approach was no longer acceptable. They decided to take drastic measures to break indexation and the psychology of inflation, and their efforts are being followed with great interest in the rest of Latin America.

Table II-7. Annual Variation in the Consumer Price Index[1], by country, 1961-1985
(Percentages)

	1961-70		1971-80		1982		1983		1984[a]		1985[b]	
Countries with price stability (annual rise in prices of less than 5 percent).	El Salvador	0.7			Guatemala	0.3	Panama	2.1	Panama	1.6	Panama	1.0
	Venezuela	1.0			Panama	4.3	Bahamas	4.1	Guatemala	3.4	Honduras	2.6
	Panama	1.3					Suriname	4.4	Suriname	3.7	Barbados	3.9
	Nicaragua	1.7					Guatemala	4.5	Bahamas	3.9	Bahamas	4.5
	Domin. Rep.	2.1					Domin. Rep.	4.8	Barbados	4.6		
	Honduras	2.2							Honduras	4.7		
	Guyana	2.3										
	Costa Rica	2.5										
	Mexico	2.8										
	Haiti	2.9										
	Barbados	3.0										
	Trin. & Tob.	3.1										
	Paraguay	3.4										
	Jamaica	4.2										
	Suriname	4.2										
	Ecuador	4.4										
Countries with moderate inflation (annual rise in prices of between 5 and 15 percent).	Bolivia	5.6	Panama	7.1	Bahamas	6.0	Barbados	5.3	Haiti	6.4	Trin. & Tob.	7.6
	Bahamas	6.2[c]	Bahamas	7.5	Jamaica	6.5	Venezuela	6.3	El Salvador	11.5	Venezuela	12.0
	Peru	9.7	Honduras	8.0	Paraguay	6.8	Honduras	8.2	Costa Rica	12.0	Haiti	12.3 (Sept.)
	Colombia	11.1	Venezuela	8.5	Suriname	7.3	Jamaica	11.6	Venezuela	12.2	Suriname	13.9 (Sept.)
			Guatemala	9.3	Haiti	7.4	El Salvador	13.3	Trin. & Tob.	13.3		
			Suriname	10.0	Domin. Rep.	7.6	Haiti	10.2				
			Guyana	10.4	Venezuela	9.6	Guyana	13.3				
			Dom. Rep.	10.5	Chile	9.9	Paraguay	13.4				
			Haiti	10.9	Honduras	10.2						
			El Salvador	11.0	Barbados	10.3						
			Costa Rica	11.2	Trin. & Tob.	11.5						
			Ecuador	12.7	El Salvador	11.7						
			Trin. & Tob.	13.2								
			Paraguay	13.4								
			Nicaragua	14.7[d]								
			Barbados	14.9								
Countries with high inflation (annual rise greater than 15 percent).	Argentina	21.4	Mexico	16.9	Ecuador	16.3	Trin. & Tob.	16.7	Colombia	16.1	Costa Rica	15.1
	Chile	27.1	Jamaica	18.3	Guyana	20.2	Colombia	19.8	Chile	19.9	El Salvador	22.2
	Brazil	46.2	Bolivia	20.3	Uruguay	19.0	Chile	27.3	Paraguay	20.3	Colombia	24.0
	Uruguay	47.8	Colombia	21.9	Colombia	24.5	Nicaragua	31.1	Domin. Rep.	27.0	Paraguay	24.8
			Peru	32.0	Nicaragua	24.8	Costa Rica	32.6	Guyana	27.4	Jamaica	25.7
			Brazil	36.6	Mexico	58.9	Ecuador	48.4	Jamaica	27.8	Guatemala	26.2
			Uruguay	64.0	Peru	64.4	Uruguay	49.2	Ecuador	31.2	Ecuador	28.0
			Argentina	141.5	Costa Rica	90.1	Mexico	101.8	Nicaragua	35.4	Chile	30.7
			Chile	174.3	Brazil	98.0	Peru	111.2	Uruguay	55.3	Domin. Rep.	37.3
					Bolivia	133.0	Brazil	142.0	Mexico	65.5	Mexico	57.7
					Argentina	164.8	Bolivia	269.0	Peru	110.2	Uruguay	72.2
							Argentina	343.8	Brazil	196.7	Peru	163.4
									Argentina	626.7	Nicaragua	219.5
									Bolivia	1,281.0	Brazil	227.0
											Argentina	672.1
											Bolivia	11,743.0

[1] Calculations based on the comparison of the annual averages of monthly consumer price indices. [a] Data for Guyana to September.
[b] Data for Guyana not available. [c] Average 1967-70. Figures for 1965 and previous years are not available. [d] Information available for 1974-80 only.
Source: International Monetary Fund, *International Financial Statistics*, November 1985 and previous issues, as well as national sources.

Development Financing

Investment

For Latin America as a whole, the investment experience of the last four years has been one of a sudden halt and reversal of a twenty-year expansionary trend. Between 1961 and 1980 there was only one year (1963) when gross investment did not grow (−1.1 percent). Expansion halted in 1981 (−0.8 percent), plummeted in 1982 (−13.9 percent) and in 1983 (−19.2 percent), stalled in 1984, and staged an estimated 4.4 percent recovery in 1985 (see Table III-1).

The investment effort was a key factor in the growth of the product. Gross investment rose on average at a cumulative annual rate of 7.4 percent between 1960 and 1980 when the gross domestic product (GDP) expanded by 5.8 percent annually. In absolute terms, gross domestic investment, measured in 1984 constant dollars, rose from $41 billion in 1960 to $84 billion in 1970 and peaked at $168 billion in 1980. Since then it has fallen, to $116 billion in 1983 and $118 billion in 1984 and to an estimated $123 billion in 1985—all these figures are lower than that for 1974 when investment totaled $124 billion (see Table 5 of the Statistical Appendix).

This turnabout is striking. After having increased four-fold in twenty years, investment was reduced by 30 percent i.e. by $50 billion. For the development of the region, nothing better expresses the present and potential cost of the crisis that began around 1982 and its peculiar adjustment process than these investment figures.

The same deterioration is to be seen in the gross investment ratio, that is, the ratio between investment and GDP. As Table III-1 shows, the ratio steadily decreased from 24.9 percent in 1981 to 17.8 percent in 1984 and remained at around that low level in 1985.

This regional sketch rather faithfully reflects the situation in most of

Table III-1. Gross Domestic Investment, by Country, 1961-1985

(Percentages)

	Proportion of GDP								Growth Rates							
	Average			Annual					Average[1]			Annual				
Country	1961-70	1971-80	1981-85	1981	1982	1983	1984	1985*	1960-70	1970-80	1960-80	1981	1982	1983	1984	1985*
Argentina	18.6	21.7	14.8	18.8	16.7	14.8	12.5	10.9	4.8	3.2	4.0	-23.3	-15.4	-8.5	-13.4	-16.8
Bahamas	n.a.	5.9[a]	10.2	10.2	10.2	10.2	10.1	10.1	n.a.	5.2[a]	5.2[a]	0.9	1.0	1.2	2.8	3.4
Barbados	19.4	25.2	30.3	33.1	29.6	29.5	29.5	29.5	6.5	3.4	4.9	13.0	-14.7	0.3	2.2	2.4
Bolivia	18.7	20.9	12.6	17.0	11.0	11.0	9.6	14.5	7.9	1.5	4.7	13.1	-39.5	-7.6	-15.7	48.2
Brazil	21.1	28.1	21.8	24.4	23.4	21.6	19.8	19.9	8.6	9.3	9.0	-12.3	-3.1	-10.8	-4.3	9.0
Chile	19.2	17.8	15.5	27.6	11.1	9.3	15.3	14.4	9.2	2.8	5.9	22.0	-65.3	-17.6	75.5	-4.0
Colombia	19.6	19.1	21.3	21.8	22.7	21.5	20.2	20.2	4.8	5.1	4.9	13.2	5.3	-4.4	-3.4	3.1
Costa Rica	18.9	24.2	19.0	18.2	14.6	18.9	20.9	22.5	7.9	9.3	8.6	-37.7	-25.5	33.1	18.7	9.5
Dom. Republic	13.9	23.9	20.2	21.7	19.8	19.5	19.6	20.7	12.2	10.0	11.1	-10.9	-7.3	2.5	1.1	3.0
Ecuador	21.4	24.7	19.8	22.1	24.6	16.9	17.8	17.7	6.5	10.4	8.5	-13.4	12.6	-33.6	9.6	2.8
El Salvador	13.3	16.4	11.8	13.1	12.5	11.3	11.5	10.5	3.0	3.6	3.3	-3.8	-10.2	-8.5	3.0	-7.5
Guatemala	11.4	13.5	10.2	12.9	11.0	9.4	9.7	8.2	6.6	5.2	5.9	13.9	-18.2	-16.9	4.5	-16.8
Guyana	38.0	31.4	26.4	31.7	25.2	27.6	23.4	24.1	0.7	-1.5	-0.4	14.9	-30.7	1.6	-12.0	3.8
Haiti	6.0	14.5	18.1	18.1	17.6	18.4	18.3	18.0	4.5	11.8	8.1	0.7	-6.8	5.4	1.5	0.2
Honduras	16.4	19.8	17.0	21.3	13.3	14.1	18.6	17.9	8.9	8.2	8.6	-16.9	-39.0	5.9	35.8	-1.0
Jamaica	28.8	21.4	14.1	13.6	14.3	14.3	14.3	14.3	6.7	-9.4	-1.7	10.1	4.9	1.8	0.0	-4.0
Mexico	20.6	23.6	21.0	30.0	21.5	17.1	17.7	18.7	9.0	8.9	8.9	15.6	-28.7	-24.9	7.5	8.6
Nicaragua	19.0	15.1	20.7	24.4	20.2	21.1	20.5	17.5	8.6	0.2	4.3	52.9	-17.6	8.7	-4.2	-17.0
Panama	22.1	27.7	19.5	25.5	22.4	17.7	16.2	15.7	13.4	3.8	8.5	12.6	-7.1	-20.8	-9.1	0.0
Paraguay	10.0[b]	21.0	23.6	30.6	25.6	21.6	20.0	20.3	9.7[b]	18.2	14.4[c]	17.0	-17.0	-18.2	-4.6	5.2
Peru	16.2	16.1	16.6	21.0	19.9	15.1	14.1	12.7	1.2	6.3	3.7	27.9	-4.5	-33.2	-2.5	-8.5
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	24.7	17.0	13.9	14.5	13.8	13.8	13.8	13.8	2.8	-0.5	1.2	4.6	-2.5	-3.6	-6.6	0.4
Uruguay	10.2	13.1	12.0	16.6	15.0	10.5	9.5	8.4	-0.4	9.0	4.2	-8.9	-18.2	-33.1	-13.3	-10.3
Venezuela	24.9	34.6	23.9	29.0	32.5	16.8	20.9	20.4	8.8	4.6	6.7	0.0	12.7	-51.3	23.1	-3.1
Latin America	**20.0**	**24.5**	**20.1**	**24.9**	**21.7**	**18.1**	**17.8**	**17.9**	**7.5**	**7.2**	**7.4**	**-0.8**	**-13.9**	**-19.2**	**1.6**	**4.4**

[1] Cumulative growth.

[a] 1975-80. [b] 1962-70. [c] 1962-80. n.a. Not available.

Source: IDB, based on official statistics of the member countries. For further details see the section on National Accounts in the Statistical Appendix.

* Preliminary estimate.

the Latin American countries. Of the 23 countries with data for the past 25 years, seven achieved their absolute highest investment level in 1980 (Argentina, Brazil, Costa Rica, Dominican Republic, Ecuador, Honduras, and Uruguay), seven in 1981 (Barbados, Chile, Haiti, Mexico, Panama, Paraguay, and Peru), and two in 1982 (Colombia and Venezuela). In another three countries (Bolivia, El Salvador, and Guatemala) the crisis arrived earlier when investment peaked in 1978, while in the remainder it dates from different years of the 1970s (Nicaragua 1977, Guyana 1976, Jamaica 1973, and Trinidad and Tobago 1971, although in Jamaica and Trinidad and Tobago the explanation lies in large-scale investments in the bauxite and petroleum sectors, respectively, in the early 1970s).

The pervasiveness of the deterioration is also shown by the fact that gross investment, which had fallen in six countries in 1980 and in eight in 1981, decreased in 19 countries in 1982 and in 15 in 1983; in 1984 the number decreased to 11 as it did in 1985, according to preliminary estimates. But several countries recorded declines in their investment in several consecutive years: Argentina and Brazil in 1981-84; Uruguay in 1981-85; Bolivia, Panama, Paraguay, and Trinidad and Tobago in 1982-84; and Peru in 1982-85. In other countries the fall occurred in only one or two years but was very pronounced (for example, Costa Rica and Honduras, 1981-82; Chile and Mexico, 1982-83; and Venezuela, 1983).

The steep fall in investment can only be understood in the context of two phenomena that have occurred simultaneously in recent years. The first is the measures adopted by the authorities of the Latin American countries for coping with the main disequilibria in the accounts of the external sector as well as for reducing or at least containing inflation. These measures led to a cutback in public investment programs at the same time as private investment was falling. The second phenomenon is the drastic reduction in the availability of investment oriented external financial resources because of either smaller private bank lending or smaller direct private foreign investment.

These two phenomena—government finances and the external financing of Latin America—are examined in the following sections.

Changes in Government Revenue and Expenditure

During the past four years, the Latin American countries have consistently recorded a deficit in Central Government operations. The only exceptions have been Ecuador in 1985 and Venezuela in 1984 and 1985. Compared with the 1980-1981 average, the government deficit as a percentage of the gross domestic product (GDP) increased in 16 countries in 1982 and decreased in six. Eight of the countries had two-digit deficits (See Table III-2). In 1983, the deficit rose in 11 countries and fell in 13. In 1984 it improved in 15 and worsened in seven, but the number of countries with two-digit deficits had fallen to five (Guyana, Haiti, Honduras, Nicaragua, and Suriname). This trend is expected to continue in 1985. Of the 23 countries for which informa-

Table III-2. Central Government Finances, by Country, 1980–1985
(Percentages of GDP)

Country	Total Revenues					Total Expenditures					Deficit or Surplus				
	1980–81	1982	1983	1984	1985*	1980–81	1982	1983	1984	1985*	1980–81	1982	1983	1984	1985*
Argentina	12.1	11.3	6.1	6.0	24.5	16.1	15.0	20.5	13.5	26.5	−4.0	−3.7	−14.4	−7.6	−2.0
Bahamas	22.1	19.3	20.0	20.6	20.8	22.3	20.9	20.6	21.3	21.5	−0.2	−1.6	−0.6	−0.6	−0.7
Barbados	25.2	24.9	25.6	24.8	26.7	31.9	30.9	29.1	30.1	33.2	−6.7	−6.0	−3.5	−5.2	−6.5
Bolivia	9.6	7.3	5.5	4.3	3.8	16.4	13.9	19.4	n.a.	n.a.	−6.8	−6.6	−14.0	n.a.	n.a.
Brazil[1]	9.0	9.1	9.4	8.7	9.9	8.9	9.0	9.4	8.7	8.9	0.1	0.1	0.0	0.0	0.0
Chile	36.1	35.5	30.6	31.7	31.6	30.9	39.0	34.2	34.6	33.5	5.2	−2.4	−3.6	−2.9	−1.9
Colombia	8.2	7.6	7.8	8.2	14.3	10.6	11.7	11.4	12.6	19.9	−2.5	−4.1	−3.5	−4.4	−5.6
Costa Rica	13.2	14.4	16.6	17.0	17.1	19.9	17.7	20.1	19.8	19.0	−6.7	−3.3	−3.6	−2.8	−1.9
Dom. Republic	13.6	9.6	10.7	11.0	11.2	16.0	12.6	13.2	11.6	12.6	−2.5	−3.0	−2.5	−0.7	−1.4
Ecuador	12.1	11.0	10.5	13.2	17.3	14.8	15.1	13.2	14.1	16.3	−2.8	−4.0	−2.8	−0.9	1.0
El Salvador	12.4	12.3	12.5	13.5	13.6	19.7	20.0	21.4	20.7	19.0	−7.5	−7.7	−8.9	−7.1	−5.4
Guatemala	9.1	8.4	8.3	7.1	7.8	15.1	13.1	11.5	10.9	9.6	−6.1	−4.7	−3.3	−3.8	−1.8
Guyana	33.2	38.1	39.0	41.3	41.0	68.8	75.7[a]	85.0	93.3	80.6	−35.5	−37.6	−46.0	−52.0	−39.6
Haiti[2]	11.0	19.7	19.5	15.6	17.9	16.8	24.8	22.9	21.9	20.0	−6.8	−13.2	−11.2	−10.0	−7.3
Honduras	14.8	13.8	13.9	16.2	18.0	22.5	23.9	23.7	26.4	25.5	−7.8	−10.1	−9.8	−10.2	−7.5
Jamaica	27.0	30.0	25.4	28.3	26.5	43.4	43.4	42.4	35.0	33.4	−16.4	−13.5	−17.1	−6.7	−6.8
Mexico	16.0	16.3	18.6	17.3	16.9	20.9	28.7	26.8	24.7	24.5	−5.0	−12.4	−8.3	−7.4	−7.7
Nicaragua	23.0	25.5	31.1	35.0	31.9	33.4	39.1	59.8	58.5	56.5	−10.5	−13.6	−28.7	−23.5	−24.6
Panama	20.2	20.2	20.7	20.2	21.4	25.6	26.8	27.0	25.9	23.5	−5.5	−6.6	−6.3	−5.7	−2.1
Paraguay	8.8	9.3	8.0	8.0	8.0	10.3	10.8	10.6	10.9	9.5	−1.5	−1.5	−2.6	−2.9	−1.5
Peru	19.2	17.6	14.2	16.4	17.5	23.1	21.5	23.1	21.3	20.4	−3.9	−3.9	−8.9	−5.0	−2.9
Suriname	29.6	29.5	27.6	26.9	26.4	39.3	43.8	44.3	42.6	45.8	−9.7	−14.3	−16.7	−15.7	−19.4
Trinidad and Tobago	40.4	35.3	33.1	33.2	33.4	36.0	47.0	44.3	42.0	40.7	4.4	−11.7	−11.2	−8.8	−7.3
Uruguay	16.8	15.2	15.6	13.5	15.0	16.8	23.9	19.6	18.8	17.8	0.0	−8.7	−3.9	−5.3	−2.9
Venezuela	28.6	26.9	24.7	28.5	28.7	29.8	31.8	27.0	25.8	26.4	−1.2	−4.9	−2.3	2.7	2.3

*Preliminary estimate.

[1] Starting in 1983 the data refer to the financial operations of the National Treasury.

[2] The deficit does not include grants (current revenue minus total expenditure = deficit).

[a] Excludes "equity contribution."

n.a. Not available.

Source: IDB, based on official statistics of the member countries. For further details see the section on Central Government Finances in the Statistical Appendix.

tion is available for 1985, 13 show a reduction in the deficit as a percentage of the GDP, Ecuador moved from a deficit to a surplus, and Venezuela maintained its surplus. In eight countries the deficit was larger in 1985 than in 1984; however, the number of countries whose deficits represented more than 10 percent of the product decreased sharply, only Guyana, Nicaragua, and Suriname remaining in that category. Clearly, the results sought by the countries of the region, namely the containment or reduction of the deficit were being achieved between 1983 and 1985.

The methods used for financing the Central Government deficit in recent years are interesting. The figures in Table III-3 show that in 1980–81, that is, before difficulties in obtaining external financing became widespread in the region, very few countries used external rather than domestic sources for financing their government deficits (Bahamas, Barbados, Honduras, Panama, Suriname, and Venezuela). Six countries used external sources for that purpose in 1982 and three in 1983 (Bahamas, El Salvador, and Peru). In 1984 the number of such countries increased to seven (Barbados, Costa Rica, El Salvador, Honduras, Jamaica, Peru, and the Dominican Republic). It would appear that the number was similar in 1985 and that for the first time Chile was one of them. It should also be noted that in the financing of the deficit domestic sources have generally been much more important than external sources, which nevertheless have come to represent significant percentages of GDP. The countries in which that proportion exceeded 3 percent of the product were, in different years, Bahamas, Barbados, El Salvador, Guyana, Honduras, Jamaica, Nicaragua, Panama, Peru, and Suriname.

The current account balances reflect the difference between current revenue and current expenditure. In 1980–81, nine countries on average showed a deficit in their current accounts (See Table III-4). This number increased to 15 in 1982, to 17 in 1983, and fell to 14 in 1984. Chile, Ecuador, and Paraguay generated current savings in 1984 in contrast with a negative balance in 1983 while in Guatemala the balance again turned negative. Preliminary data for 1985 show a significant improvement, since in 15 countries the current account of the central government was strengthened. Worthy of mention are Trinidad and Tobago and Venezuela, the countries whose savings as a proportion of GDP were the highest the region has so far recorded in this decade.

Current savings is one of the sources for financing the capital spending of governments. The changes that have occurred in current savings are noteworthy. In the past three years a sustained effort to improve them has been made by Argentina, Bahamas, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Haiti, Mexico, Panama, Paraguay, Peru, and Venezuela. In contrast, there has been a relative deterioration in Barbados, Colombia, Nicaragua, Suriname, and Trinidad and Tobago; Trinidad and Tobago has always generated current savings although the balance has been steadily declining.

The figures in Table III-5 show that cutbacks in capital spending have

Table III-3. Central Government Deficit Financing, by Country, 1980-1985
(Percentages of GDP)

Country	External Financing					Domestic Financing				
	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*
Argentina	0.4	-2.5	-2.3	-0.6	0.5	3.6	6.2	16.7	8.2	1.5
Bahamas	1.6	3.6	1.3	0.1	0.4	-1.4	-2.0	-0.7	0.5	0.4
Barbados[1]	4.3	2.6	1.6	4.3	5.4	2.4	3.5	1.9	1.7	1.1
Bolivia[1]	2.0	0.6	0.0	n.a.	n.a.	4.8	5.9	13.9	n.a.	n.a.
Brazil[2]	0.0	0.0	n.a.	n.a.	n.a.	-0.1	-0.1	n.a.	n.a.	n.a.
Chile[1]	-0.7	-0.4	0.0	0.8	2.6	-4.5	2.8	3.6	2.3	1.0
Colombia	1.0	0.6	-0.2	0.6	0.0	1.4	3.5	3.7	3.7	5.6
Costa Rica	1.7	1.3	1.5	1.5	n.a.	4.9	2.0	2.1	1.3	n.a.
Dominican Republic[1]	1.3	0.6	0.4	0.9	1.6	1.3	2.2	1.8	0.1	0.0
Ecuador[1]	1.4	2.4	-0.4	-0.5	-0.4	1.7	1.7	3.1	1.7	-0.5
El Salvador	1.8	2.7	8.4	5.2	2.9	5.7	5.0	0.6	1.9	2.5
Guatemala[1]	1.3	1.1	0.9	0.2	0.7	4.2	5.1	2.8	2.4	2.0
Guyana[1]	15.3	9.0	5.8	3.2	2.0	20.3	28.6	40.2	28.0	53.3
Haiti[1]	2.0	2.3	1.8	1.8	0.3	4.9	10.9	9.4	8.3	7.0
Honduras	5.0	5.0	4.8	7.1	4.9	2.8	5.0	5.0	3.1	2.6
Jamaica	6.7	3.8	5.4	10.0	-1.0	9.7	9.7	11.7	-3.3	7.9
Mexico	0.5	2.0	2.9	1.7	n.a.	4.5	10.4	5.3	5.8	n.a.
Nicaragua	4.6	5.6	5.0	5.1	2.2	5.9	8.1	23.7	18.4	22.4
Panama	4.2	7.2	3.0	1.6	n.a.	1.2	-0.6	3.3	4.2	n.a.
Paraguay[1]	0.4	0.0	0.7	1.4	0.8	1.2	1.5	1.9	1.9	1.8
Peru	1.0	3.1	5.5	3.4	3.0	3.0	0.9	3.4	1.5	-0.1
Suriname[1]	8.8	9.2	0.2	0.2	0.1	0.9	5.1	16.4	15.5	19.3
Trinidad and Tobago	0.6	1.3	1.1	2.3	2.1	-5.0	10.4	10.1	6.4	5.2
Uruguay	0.0	-0.2	-0.2	-0.3	-0.4	0.1	8.9	4.2	5.6	3.3
Venezuela	0.9	2.7	-0.6	-1.3	0.0	0.4	2.2	2.8	-1.4	-2.3

*Preliminary estimate.

[1] In some years the sum of external financing plus domestic financing is not equal to total financing because there is a cash surplus.

[2] Starting in 1983 the data refer to the financial operations of the National Treasury.

n.a. Not available.

Source: IDB, based on official statistics of the member countries. For further details see the section on Central Government Finances in the Statistical Appendix.

Table III-4. Central Government Current Savings, by Country, 1980-1985
(Percentages of GDP)

Country	Current Revenue					Current Expenditure					Current Savings				
	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*
Argentina	12.1	11.3	6.1	6.0	24.5	10.8	10.3	12.2	10.7	22.6	1.4	1.0	−6.1	−4.8	1.9
Bahamas	22.1	19.3	20.0	20.6	20.8	18.7	18.1	19.2	19.7	19.6	3.4	1.2	0.8	0.9	1.2
Barbados	25.2	24.9	25.6	24.8	26.7	23.3	24.0	23.1	24.3	27.1	1.9	0.9	2.5	0.5	−0.4
Bolivia	9.6	7.3	5.5	4.0	3.8	14.3	12.3	18.5	n.a.	n.a.	−4.7	−5.0	−13.0	n.a.	n.a.
Brazil[1]	9.0	9.1	9.4	8.7	9.9	5.7	5.7	n.a.	n.a.	n.a.	3.3	3.4	n.a.	n.a.	n.a.
Chile	34.7	36.0	30.3	31.6	31.3	26.1	33.4	30.5	30.1	28.5	8.6	2.6	−0.2	1.5	2.8
Colombia	8.2	7.6	7.8	7.9	14.3	7.8	8.4	8.7	9.5	16.3	0.4	−0.9	−0.8	−1.6	−2.0
Costa Rica	13.2	14.4	16.6	17.0	17.1	15.7	15.5	16.2	16.5	15.9	−2.5	−1.1	0.4	0.6	1.3
Dominican Republic	13.5	9.5	10.6	10.9	11.2	11.2	10.2	10.2	9.6	9.9	2.3	−0.7	0.4	1.3	1.3
Ecuador	12.1	11.0	10.5	13.2	17.3	12.0	12.4	10.9	11.6	13.4	0.1	−1.3	−0.4	1.6	3.9
El Salvador	12.0	12.3	12.4	13.5	13.6	13.2	15.0	14.8	15.7	14.3	−1.2	−2.7	−2.3	−2.2	−0.7
Guatemala	9.1	8.4	8.2	7.1	7.8	8.7	8.1	8.0	8.1	7.3	0.4	0.2	0.2	−1.1	0.5
Guyana	32.5	37.8	38.9	38.2	39.2	45.6	52.9	66.0	75.0	60.2	−13.2	−15.0	−27.1	−36.7	−21.0
Haiti	9.9	11.6	11.6	11.8	12.7	12.9	21.7	20.1	19.5	18.0	−2.9	−10.1	−8.5	−7.7	−5.2
Honduras	14.7	13.8	13.3	15.1	16.3	14.9	15.6	16.5	16.8	18.2	−0.2	−1.7	−3.2	−1.6	−2.0
Jamaica	27.0	29.9	25.4	28.3	26.5	32.3	31.9	35.1	30.1	28.7	−5.3	−2.0	−9.7	−1.9	−2.2
Mexico	16.0	16.3	18.6	17.3	16.9	15.3	23.7	22.9	21.4	20.8	0.7	−7.4	−4.3	−4.1	−3.9
Nicaragua	22.5	25.1	30.8	34.8	30.6	27.0	33.1	38.5	43.5	47.6	−4.5	−7.9	−7.7	−8.7	−17.0
Panama	20.2	20.2	20.4	19.5	21.1	19.5	21.5	23.2	21.5	20.6	0.7	−1.3	−2.7	−2.0	0.5
Paraguay	8.8	9.3	8.0	8.0	7.9	7.2	8.7	8.9	7.6	7.0	1.7	0.6	−0.9	0.4	0.9
Peru	19.2	17.5	14.2	16.2	17.4	17.9	17.3	19.2	17.3	17.1	1.3	0.2	−5.0	−1.1	0.3
Suriname	29.6	29.5	27.6	26.9	26.4	30.5	33.7	38.2	38.4	43.2	−0.9	−4.2	−10.5	−11.5	−16.8
Trinidad and Tobago	40.3	35.3	33.1	33.2	33.4	20.0	30.0	31.5	31.8	32.8	20.2	5.3	1.6	1.4	0.6
Uruguay	16.8	15.2	15.6	13.5	15.0	14.8	21.4	17.6	17.1	16.3	2.0	−6.2	−1.9	−3.6	−1.3
Venezuela	28.6	26.9	24.7	28.5	28.6	18.1	18.7	18.6	19.8	19.5	10.5	8.1	6.1	8.7	9.1

*Preliminary estimate.

[1] Starting in 1983 the data refer to the financial operations of the National Treasury.

n.a. Not available.

Source: IDB, based on official statistics of the member countries. For further details see the section on Central Government Finances in the Statistical Appendix.

Table III-5. Central Government Capital Expenditure, by Country, 1980–1985
(Percentages of GDP)

Country	1980-81	1982	1983	1984	1985*
Argentina	5.4	4.7	8.3	2.8	n.a.
Bahamas	3.5	2.8	1.3	1.5	1.9
Barbados	8.6	7.0	6.0	5.8	6.1
Bolivia	2.0	1.5	0.9	n.a.	n.a.
Brazil	3.2	3.2	n.a.	n.a.	n.a.
Chile	4.8	5.7	3.7	4.5	5.0
Colombia	2.9	3.2	2.7	2.7	3.7
Costa Rica	4.1	2.3	3.9	3.4	3.1
Dominican Republic	4.8	2.3	2.9	2.0	2.8
Ecuador	2.8	2.7	2.3	2.5	2.9
El Salvador	6.6	5.0	6.6	4.9	4.7
Guatemala	6.4	4.9	3.5	2.8	2.3
Guyana	23.2	22.8[a]	19.0	18.3	20.4
Haiti	3.9	3.1	2.7	2.4	2.1
Honduras	7.6	8.4	7.2	9.7	7.2
Jamaica	11.1	11.6	7.3	4.8	4.6
Mexico	5.7	5.0	4.0	3.3	3.8
Nicaragua	6.3	6.0	21.3	14.9	8.8
Panama	6.1	5.3	3.9	4.3	2.9
Paraguay	3.2	2.1	1.7	3.3	2.5
Peru	5.2	4.2	3.9	4.0	3.3
Suriname	8.9	10.0	6.2	4.2	2.6
Trinidad and Tobago	16.1	17.0	12.8	10.2	7.8
Uruguay	2.0	2.5	2.0	1.7	1.5
Venezuela	11.9	13.0	8.4	6.0	6.9

*Preliminary estimate.
[a] Excludes "equity contribution."
n.a. Not available.
Source: IDB, based on official statistics of the member countries. For further details see the section on Central Government Finances in the Statistical Appendix.

been the principal means of controlling the fiscal deficit. Compared with the 1980–81 average, capital expenditure as a percentage of GDP decreased in 1982 in 16 countries and increased in eight but in all of them the percentage fell in 1983. At the same time, many countries suffered declines in capital spending in both years: Bahamas, Barbados, Bolivia, Ecuador, Guatemala, Guyana, Haiti, Mexico, Panama, Paraguay, and Peru. In 1984 capital outlays increased in seven countries whereas, in 1985, of the 22 countries for which information is available, seven again showed increases. In 1985 capital spending in Chile, Colombia, Ecuador, and Nicaragua was higher than the 1980–81 average.

Revenue: Composition and Performance

In Latin America, tax revenue is the principal source of total government revenue and accounts on average for more than 80 percent of government receipts. In 1984 tax revenue represented more than 90 percent of the total in Argentina, Colombia, Costa Rica, Mexico, and Uruguay, as it did in Bolivia, Ecuador, El Salvador, Honduras, Jamaica, and Peru in earlier years (See Table III-6).

With respect to the composition of tax revenue, indirect taxes have been the most important source of receipts in almost all the countries with the exception of Ecuador, Trinidad and Tobago, and Venezuela where the income tax received from the oil industry is very significant. Income tax, the principal component of direct taxes, is also an important source of revenue for Barbados, Brazil, Colombia, Guyana, Jamaica, Panama, and Suriname where it represented more than 30 percent of total receipts. Noteworthy is Mexico, which in 1980-82 was part of that group; however, in 1983 the share of income tax in total receipts plunged. Although it recovered slightly in 1984 it has remained at around 24 percent of total revenue.

With respect to changes in tax revenue, indirect taxes grew more rapidly than direct taxes, especially after 1983. Between 1980 and 1984 the relative importance of these taxes steadily increased in Argentina, Chile, Dominican Republic, and Trinidad and Tobago. In 1985 the share of indirect taxes in the total is estimated to have remained unchanged or to have increased in most of the countries and to have fallen marginally only in Chile, Haiti, Honduras, Mexico, Nicaragua, and Panama and significantly only in Ecuador and Suriname.

Among indirect taxes the foreign trade tax is still important in Argentina, Bahamas, Costa Rica, Honduras, and Mexico, where it accounted for more than 30 percent of total revenue in recent years. Because of the decrease in foreign trade, the ratio of trade taxes to total revenue has shown a downward trend since 1980 in many countries (See Statistical Appendix Table 31). The trend is believed to have continued up to 1985 in Ecuador, Guatemala, Guyana, Haiti, and Nicaragua. The reverse occurred in Chile, Dominican Republic, Mexico, Peru, and Trinidad and Tobago, where an upward trend is to be noted.

In contrast with foreign trade taxes, turnover taxes have increased their share of total revenue in recent years. In 1984 these taxes were the principal source of revenue in Barbados, Costa Rica, Dominican Republic, El Salvador, Guyana, Nicaragua, Peru, and Uruguay. In Nicaragua and Uruguay in particular they represented 60 percent of total revenue in 1985.

Expenditure: Composition and Performance

In 1985 current expenditure was the main component of expenditure in Latin America where it represented more than 70 percent of total spending in all the countries. (See Table III-7). In some countries that proportion exceeded 90 percent (Bahamas, Suriname, and Uruguay). In the main, this ratio has so far been growing and has significantly exceeded the 1980-81 average, which is not surprising if the generally downward trend in capital

Table III-6. Structure of Central Government Revenue, by Country, 1980–1985
(Percentages of total revenue)

	Direct Taxes					Indirect Taxes					Total Tax Revenue					Non-Tax Revenue				
Country	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*
Argentina	14.7	10.4	4.8	2.7	n.a.	61.0	68.1	86.8	92.9	n.a.	75.7	78.5	91.6	95.6	n.a.	24.3	21.5	8.4	4.4	n.a.
Bahamas	2.3	2.5	2.9	3.0	2.8	75.9	74.0	79.6	77.3	82.1	78.2	76.5	82.5	80.3	84.9	21.8	23.5	17.5	19.7	15.1
Barbados	42.6	44.3	41.2	37.9	n.a.	45.7	43.8	46.9	50.6	n.a.	88.2	88.1	88.1	88.5	n.a.	11.8	11.9	11.9	11.5	n.a.
Bolivia	14.9	27.1	27.6	26.4	n.a.	77.1	40.3	30.9	45.9	n.a.	92.0	67.4	58.5	72.3	85.7	8.0	32.6	41.5	21.5	14.3
Brazil[1]	26.7	29.3	30.8	35.7	39.3	47.2	44.6	35.1	33.6	30.7	74.0	73.9	65.9	57.0	70.0	26.0	26.1	34.1	33.0	30.0
Chile	40.6	15.6	17.3	10.9	10.5	22.2	36.2	46.2	53.6	53.2	62.8	51.8	63.4	64.4	63.7	33.5	46.9	35.7	35.1	35.5
Colombia	34.9	34.5	41.3	39.0	n.a.	62.8	62.9	55.8	57.4	n.a.	97.6	97.4	97.0	96.4	n.a.	2.4	2.6	3.0	3.6	n.a.
Costa Rica	22.2	22.9	24.1	20.0	17.7	74.5	74.9	72.2	72.0	75.4	96.7	97.8	96.3	92.0	93.1	3.3	2.2	3.7	8.0	6.9
Dominican Republic	22.1	29.5	26.6	21.1	20.5	56.1	58.0	58.9	63.9	68.8	78.2	87.5	85.5	85.0	89.3	20.7	11.5	13.8	10.0	6.6
Ecuador	49.3	56.1	57.5	12.0	8.2	46.1	39.3	40.2	40.3	30.6	95.4	95.3	97.7	52.4	38.8	4.6	4.7	2.3	47.6	61.2
El Salvador	28.2	26.6	24.3	22.1	21.3	63.4	59.5	61.5	65.3	65.5	91.6	86.2	85.8	87.4	86.9	5.7	13.8	14.0	12.6	13.1
Guatemala	14.2	14.7	18.1	12.8	14.6	75.1	70.9	59.0	61.7	64.1	89.2	85.7	77.1	74.5	78.8	10.6	14.2	22.7	25.2	21.1
Guyana	40.2	43.1	37.1	36.3	38.1	43.5	39.2	49.1	47.4	48.1	83.7	82.3	86.3	83.6	86.2	14.1	17.1	13.4	9.1	9.5
Haiti	15.8	13.0	9.7	12.2	10.6	66.6	39.6	43.3	52.3	52.0	82.4	52.6	53.1	64.5	62.6	9.0	6.5	6.7	24.1	28.8
Honduras	27.9	26.7	24.2	23.7	20.6	64.2	65.9	62.9	62.6	60.9	92.1	92.6	87.1	86.3	81.6	7.5	7.4	8.8	7.0	8.9
Jamaica	39.0	38.8	40.5	n.a.	n.a.	56.9	56.6	55.2	n.a.	n.a.	95.9	95.5	95.7	n.a.	n.a.	4.1	4.3	4.3	n.a.	n.a.
Mexico	37.0	31.1	23.4	24.8	24.4	57.6	61.9	70.8	70.6	70.4	94.5	93.0	94.2	95.4	94.9	5.5	7.0	5.8	4.6	5.1
Nicaragua	24.3	20.2	20.0	20.4	20.2	59.5	61.8	65.4	67.4	65.5	83.8	82.0	85.4	87.9	85.7	14.4	16.6	13.8	11.6	10.3
Panama	35.9	36.6	40.5	38.1	36.3	40.6	38.0	32.5	33.1	32.6	76.5	74.6	73.0	71.2	68.9	23.3	25.4	25.7	25.5	29.7
Paraguay	22.9	30.1	22.5	27.2	28.4	66.0	56.7	56.2	54.7	56.8	88.9	86.8	78.7	81.9	85.1	11.1	13.2	21.3	17.7	14.3
Peru	31.4	26.4	24.1	17.7	14.6	60.2	63.8	65.7	64.8	74.0	91.5	90.2	89.8	82.5	88.7	8.5	9.5	10.1	16.6	10.9
Suriname	27.3	24.3	27.3	31.8	35.3	56.0	47.9	48.2	47.4	40.6	83.4	72.2	75.5	79.2	75.8	16.6	27.8	24.5	20.7	24.2
Trinidad and Tobago	71.5	69.8	66.6	68.9	63.7	11.0	13.1	16.7	17.4	20.5	82.5	82.9	83.3	86.3	84.2	17.1	17.1	16.7	13.6	15.8
Uruguay	17.4	14.7	18.7	14.3	13.5	73.4	71.9	67.0	75.8	76.8	90.9	86.6	85.7	90.1	90.3	9.1	13.4	14.3	9.9	9.7
Venezuela	75.5	66.6	59.6	62.3	49.7	8.6	12.1	24.0	22.1	31.5	84.1	78.7	83.6	84.4	81.2	15.9	21.3	16.4	15.6	18.7

*Preliminary estimate. n.a. Not available.

[1] Starting in 1983 the data refer to the financial operations of the National Treasury.

Source: IDB, based on official statistics of the member countries. For further details see the section on Central Government Finances in the Statistical Appendix.

Table III-7. Structure of Central Government Current Expenditure, by Country, 1980-1985
(Percentages of total expenditure)

	Goods and Services					Interest Payments					Transfers and Subsidies					Current Expenditure				
Pais	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*	1980-81	1982	1983	1984	1985*
Argentina	43.4	41.9	14.7	13.4	n.a.	0.5	1.2	0.4	5.9	n.a.	23.2	25.6	44.5	59.9	n.a.	67.0	68.7	59.6	79.2	n.a.
Bahamas	70.1	68.6	75.1	74.5	71.3	8.6	11.5	11.7	12.4	12.4	5.5	6.5	6.6	5.9	7.2	84.3	86.7	93.4	92.7	90.9
Barbados	43.9	41.9	n.a.	n.a.	n.a.	7.2	11.5	n.a.	n.a.	n.a.	22.1	24.1	n.a.	n.a.	n.a.	73.2	77.5	79.3	80.8	81.7
Bolivia	67.1	56.9	70.5	n.a.	n.a.	7.7	11.0	8.6	n.a.	n.a.	12.9	21.0	16.2	n.a.	n.a.	87.6	88.9	95.3	n.a.	n.a.
Brazil	27.4	31.9	n.a.	n.a.	n.a.	4.2	2.5	n.a.	n.a.	n.a.	31.5	29.6	n.a.	n.a.	n.a.	63.1	64.0	n.a.	n.a.	n.a.
Chile	37.8	34.7	35.9	34.1	31.8	1.9	1.4	3.5	3.9	5.8	44.8	49.4	49.7	48.9	47.4	84.5	85.5	89.2	86.9	85.1
Colombia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	72.7	72.5	76.3	78.0	n.a.
Costa Rica	35.2	33.1	34.1	35.8	36.3	11.4	15.1	14.4	11.8	11.5	28.7	39.0	32.0	35.3	35.8	75.3	87.2	80.5	82.9	83.5
Dominican Republic	50.1	58.9	53.2	59.0	51.0	6.7	6.2	7.8	5.9	4.7	13.0	16.3	16.6	18.0	22.5	69.7	81.4	77.6	82.9	78.1
Ecuador	40.2	37.3	35.4	35.4	35.4	11.3	19.0	22.4	22.4	22.4	29.4	25.7	24.4	24.4	24.4	80.9	82.0	82.3	82.3	82.3
El Salvador	48.9	52.9	49.5	54.5	58.6	4.0	9.0	8.4	8.0	6.4	13.8	13.2	11.2	13.8	10.3	66.7	75.1	69.1	76.2	75.2
Guatemala	42.0	44.1	48.8	59.0	56.7	4.0	6.5	7.6	3.2	7.3	11.5	11.5	13.1	12.2	12.4	57.6	62.2	69.5	74.4	76.4
Guyana	38.7	35.8	43.2	33.2	41.1	18.9	26.4	34.4	35.2	22.0	8.7	7.7	0.0	12.0	11.6	66.3	69.9	77.7	80.4	74.7
Haiti	44.8	28.3	28.0	34.4	38.2	2.9	2.2	2.1	0.6	0.3	28.9	56.8	58.0	54.2	51.1	76.6	87.3	88.1	89.2	89.6
Honduras	52.5	50.0	51.9	48.2	53.4	5.1	6.0	8.5	8.2	8.6	8.5	8.9	9.3	6.9	9.6	66.2	65.0	69.7	63.4	71.5
Jamaica	45.2	42.6	43.3	n.a.	n.a.	16.2	22.1	26.9	n.a.	n.a.	12.9	8.7	12.4	n.a.	n.a.	74.3	73.4	82.7	86.2	86.1
Mexico	22.2	19.2	14.8	20.0	18.2	11.7	33.0	34.7	36.2	36.9	39.1	30.3	35.7	30.4	29.6	72.9	82.4	85.2	86.6	84.7
Nicaragua	57.4	59.0	47.0	56.9	74.7	9.4	11.0	6.4	3.6	3.6	14.3	14.6	11.1	14.0	6.0	81.2	84.6	64.4	74.5	84.3
Panama	36.7	38.3	50.9	46.6	n.a.	22.8	26.9	25.3	23.9	n.a.	16.7	14.9	9.5	12.7	0.0	76.2	80.1	85.7	83.2	87.6
Paraguay	51.9	52.5	54.6	40.7	45.6	3.0	3.2	3.1	4.2	5.1	14.2	24.9	26.5	24.6	23.1	69.0	80.6	84.2	69.4	73.8
Peru	45.1	52.9	48.2	41.7	44.8	19.0	18.3	23.2	23.5	25.3	13.2	9.3	11.9	15.9	13.7	77.4	80.5	83.3	81.2	83.8
Suriname	63.8	65.4	68.7	71.3	77.5	0.8	0.8	1.9	3.2	4.6	12.9	10.9	15.6	15.8	12.2	77.5	77.1	86.1	90.2	94.3
Trinidad and Tobago	28.8	36.7	35.7	40.1	41.9	2.5	1.7	2.2	3.2	4.2	24.2	25.5	33.1	32.5	34.6	55.5	63.8	71.1	75.8	80.7
Uruguay	81.3	81.2	78.0	69.4	70.2	2.0	2.6	6.1	9.5	11.5	4.6	4.8	5.8	12.2	9.7	88.0	88.6	89.9	91.1	91.5
Venezuela	26.5	26.4	29.2	28.1	24.6	6.2	6.6	8.7	12.1	12.2	27.7	25.9	30.9	36.5	37.2	60.5	58.9	68.9	76.7	74.0

*Preliminary estimate. n.a. Not available.
Source: IDB, based on official statistics of the member countries. For further details see the section on Central Government Finances in the Statistical Appendix.

spending in Latin America is borne in mind. The characteristics and performance of three subcategories of current expenditure are described below.

Procurement of goods and services represented more than 50 percent of total expenditure in seven countries in 1984. In that year, Bahamas, Suriname, and Uruguay showed the highest percentages in the region while Argentina and Mexico showed the lowest (13 and 20 percent of total expenditure, respectively). In 1985, procurement of goods and services showed relative growth in two-thirds of the countries for which information is available compared with 1984.

Payments of interest on central government debt accounts for a significant and growing proportion of expenditure in Latin American countries. In recent years they climbed to 20 percent of total expenditure in Ecuador, Guyana, Jamaica, Mexico, Panama, and Peru and to between 10 and 20 percent in Bahamas, Costa Rica, Uruguay, and Venezuela.

In six countries—Chile, Costa Rica, Haiti, Mexico, Trinidad and Tobago, and Venezuela—transfer payments and subsidies from the central government accounted for more than 30 percent of total expenditure in 1984. For Ecuador and Paraguay the proportion of transfer payments and subsidies was around 25 percent while for the remaining countries it was smaller, 18 percent. Information available for 1985 indicates an increase in the ratio in 11 countries and a decrease in seven.

External Financing

During the postwar period, external financing played an important role in the economic growth of Latin America. This financing increased significantly during the 1960s and the 1970s. However, world economic conditions at the beginning of the 1980s, which entailed, *inter alia*, a sharp deterioration in the terms of trade of the region and an unprecedented buildup of its external debt at high interest rates, converted the Latin American region, beginning in 1982, into a net exporter of financial resources, to the serious detriment of its development capacity.

Net Transfer of Resources and External Debt

The favorable balance in the capital account of the balance of payments of Latin America exceeded its interest payments on the external debt and the remittances of profits on foreign investment during the 12 years from 1970 to 1981 (see Table III-8). In that period Latin America received a large net transfer of capital, which increased as time went on, especially beginning in 1974. Despite the rise in oil prices in 1973 and the slowdown in the growth of the industrialized countries, Latin America continued to receive a substantial flow of external capital, which peaked in 1981, and thus enabled it to sustain a relatively high growth rate up to 1980. However, the world recession, accompanied by the extremely high real and nominal interest rates that

Table III-8. Latin America: Net Resource Transfer and External Debt, 1970-1985
(Millions of dollars)

Year	Capital Account (1)	Investment Income (2)	Net Resource Transfer (3) = (1) − (2)	Disbursed External Debt (4)
1970	3,959	−2,970	989	
1971	5,042	−3,268	1,774	
1972	6,207	−3,322	2,885	
1973	8,711	−4,356	4,355	
1974	13,119	−5,412	7,707	
1975	16,462	−5,819	10,643	
1976	18,738	−7,119	11,619	
1977	15,585	−8,602	6,983	
1978	24,242	−10,591	13,651	150,893
1979	26,689	−14,247	12,442	181,957
1980	35,021	−18,656	16,365	222,497
1981	49,063	−27,797	21,266	277,701
1982	27,609	−36,783	−9,174	318,430
1983	6,061	−34,900	−28,839	344,030
1984	11,576	−37,059	−25,483	360,410
1985*	4,055[a]	−36,679	−32,624	368,000

[a] Includes "errors and omissions" of Argentina, Colombia, the Dominican Republic, Ecuador, El Salvador, Guyana, Haiti, Honduras, Jamaica, Panama, Suriname, and Venezuela.

Sources: Columns (1) and (2): IDB Estimates. External Debt: ECLAC.

* Preliminary estimate.

prevailed during the first half of the 1980s, completely changed the external financing situation.

Since 1982 the region has not only become a net exporter of resources but the transfer of funds abroad has been extremely large. The net flow of lending to the region has decreased drastically while the payment of interest on the external debt and the remittance of profits on foreign investment have remained at very high levels. As a result of this combination of factors, the net outflow of resources in the past four years is comparable in nominal terms to the inflow in the period 1974-1981.

Even though Latin America has transferred an enormous amount of resources outside the region in recent years, the total external debt disbursed increased between year-end 1981 and year-end 1984 at a cumulative annual rate of 9.1 percent and continued to grow, albeit less rapidly, in 1985. The growth of the debt in the past three years has been largely the result of the frequent reschedulings that have made it possible to capitalize interest, so that the debt has increased while the balance in the capital account of the balance of payments has fallen to unprecedentedly low levels.

Long-Term Net External Financing

The net flow of long-term external financing resources, defined as disbursements of government-guaranteed loans with a maturity of one year or more, plus direct foreign investment,[1] increased rapidly in the 1970s with the result that in 1979 its level was almost seven times higher than in 1970 (Table III-9). In this period, official financing increased by only 67 percent while private lending grew by 843 percent. These differences in the rates of growth significantly changed the composition of the financing and its conditions. Thus, official financing, which accounted for 35 percent of the total in 1970, decreased to 8 percent in 1978, but is estimated to have reached 48 percent in 1984. This decrease and subsequent recovery was paralleled by a counter movement in the flow of private resources. Figure III-1 shows the changes in the composition of the external flows.

The behavior of lending from private sources has been extremely diverse. Funds from private banks show an unprecedented growth in 1970-1979, when they increased 23 times; by the end of the period they represented 68.3 percent of the total. The behavior of the other private sources was erratic. Although there were fluctuations, the trend of direct investment was upward, as was that of bonds, which were an important source in 1977 and 1978; with notable exceptions in 1974 and 1976, development finance institutions generated a negative flow in most of the years and especially from 1977 onwards. Finally, the trend of supplier credit was hazy, except in the final years of the period, when a buildup of arrears is to be noted.

The experience of the 1980s shows features that are completely different from those of the preceding 10 years. Private flows reached their peak in 1981 only to plummet in the following three years from $24.5 billion in 1981 to $10.8 billion in 1984. Meanwhile, official flows increased significantly up to 1983 and then fell slightly in 1984 because of lower compensatory financing. Multilateral flows for development increased by approximately 140 percent between 1979 and 1984; and compensatory financing rose from $-10,[illegible]4 million in 1980 to $6,714.5 million in 1983 when most of the countries of the region turned to the International Monetary Fund (IMF). In addition, bilateral official flows increased substantially.

With respect to private resources, direct investment increased up to 1981 but decreased sharply when the recession took hold in Latin America and because of the stagnation or deterioration in world trade. In 1984 it represented only 43 percent of the level achieved three years earlier. Bank lending reached its peak in 1979 and, after a sharp fall in 1980 and a recovery in 1981, gradually tapered off and amounted in 1984 to only 46 percent of the 1981 level. This decrease would have been even greater if a substantial percentage of new lending from 1981 onwards had not been "involuntary"

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[1] It differs significantly from the capital account balance, primarily because it excludes short-term credits and bank loans with a maturity of more than one year without government guarantee. These two components have been very volatile in the past five years since they rose and fell abruptly; hence the major differences between the balance of the capital account in Table III-8 and the grand total in Table III-9, in 1980-81, when there was a large inflow of resources in these two items and in 1983-84 when there was a large outflow.

Table III-9. Latin America:[1] Net Inflow of Long-Term (one year and over) Financial Resources, Official and Private, 1970–1984
(Millions of dollars)

	Official Multilateral			Official Bilateral				Private Resources						
Year	Development	Compensatory	Total	United States	Other Countries[2]	Total	Total Official	Suppliers	Banks[3]	Bond Issues	Direct Investment	Financing Institutions[4]	Total Private	Grand Total
1970	611.3	−176.5	434.8	685.1	97.2	782.3	1,217.1	400.2	696.3	56.1	1,072.3	47.5	2,272.4	3,489.5
1971	689.8	33.1	722.9	373.1	95.3	468.4	1,191.3	158.8	1,041.9	123.3	1,550.8	72.4	2,947.2	4,138.5
1972	724.6	169.8	894.4	335.8	190.9	526.7	1,421.1	481.3	2,218.9	253.3	942.4	−18.7	3,877.2	5,298.3
1973	859.1	−129.7	729.4	486.0	278.0	764.0	1,493.4	381.2	3,258.8	18.2	2,299.4	−47.1	5,910.5	7,403.9
1974	1,130.6	83.6	1,214.2	736.1	692.9	1,429.0	2,643.2	161.5	5,561.7	221.3	1,662.4	472.5	8,079.4	10,722.6
1975	983.0	507.5	1,490.5	637.2	735.9	1,373.1	2,863.6	80.6	6,013.2	132.8	3,206.6	−120.3	9,312.9	12,176.5
1976	1,012.3	1,187.1	2,199.4	401.4	394.0	795.4	2,994.8	330.4	9,747.6	647.7	1,549.9	865.7	13,141.3	16,136.1
1977	1,313.3	−147.1	1,166.2	276.7	726.2	1,002.9	2,169.1	311.4	9,396.5	2,377.0	2,996.5	−481.6	14,599.8	16,768.9
1978	1,564.7	−873.0	691.7	201.7	821.8	1,023.5	1,715.2	823.7	12,790.8	2,456.7	3,914.9	−236.7	19,749.4	21,464.6
1979	1,672.5	147.4	1,819.9	202.9	8.7	211.6	2,031.5	−73.5	16,018.1	661.0	4,986.6	−162.8	21,429.4	23,460.9
1980	2,310.1	−101.4	2,208.7	652.2	746.1	1,398.3	3,607.0	113.2	11,770.8	433.4	5,711.6	−372.3	17,656.7	21,263.7
1981	2,591.4	316.8	2,908.2	634.6	793.4	1,428.0	4,336.2	124.7	15,682.4	1,263.3	7,491.8	−68.2	24,494.0	28,830.2
1982	2,545.4	1,867.7	4,413.1	644.0	1,223.6	1,867.6	6,280.7	1,475.5	14,935.3	244.0	5,680.9	−80.2	22,255.5	28,536.2
1983	2,817.4	6,714.5	9,531.9	1,416.7	953.7	2,370.4	11,902.3	922.9	13,385.2	−818.2	3,456.7	−69.7	16,876.9	28,779.2
1984*	3,994.9	3,695.4	7,690.3	1,597.0	664.5	2,261.5	9,951.8	1,047.0	7,270.0	−620.0	3,196.2	−50.0	10,843.2	20,795.0

*Preliminary estimate.

[1] IDB member countries and subregional agencies.

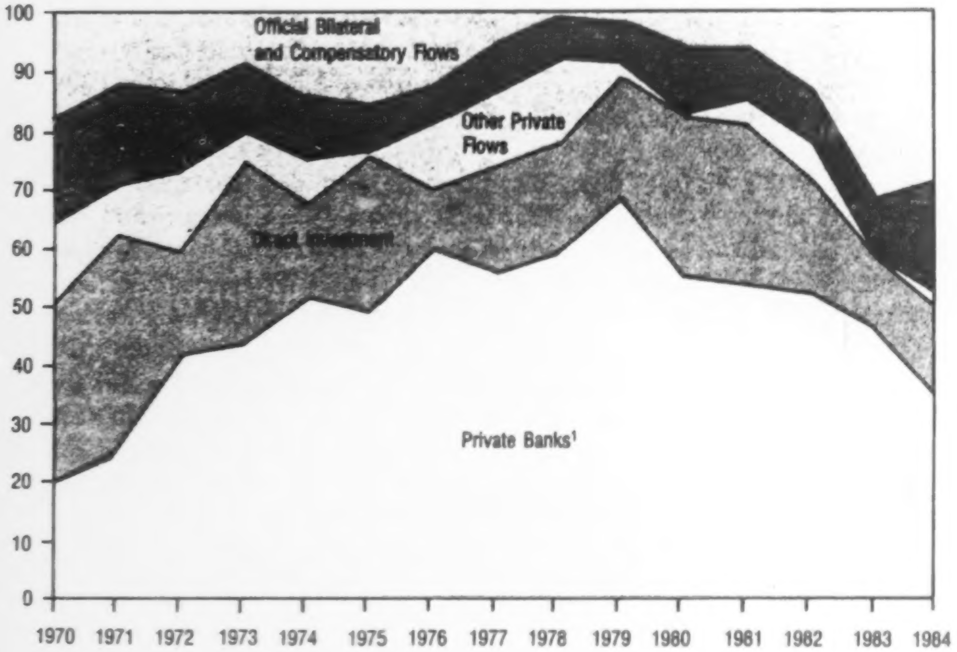
[2] Includes the socialist countries and members of the OECD except the United States.

[3] Excludes credits without government guarantee.

[4] Includes nationalization.

Source: IDB, official documents of the member countries and international financing agencies.

FIGURE III-1. **LATIN AMERICA: STRUCTURE OF THE NET INFLOW OF LONG-TERM FINANCIAL RESOURCES, 1970-1984**
(PERCENTAGES)



¹Excludes credits without government guarantee.

i.e., provided under debt rescheduling agreements in which a large portion of the interest due was capitalized. Furthermore, in several cases, and as part of negotiations for reprogramming the payment of the external debt, short-term debts were converted into long-term credits and thus appear as an increase in the long-term disbursed debt, although no funds were disbursed. Consequently, the private net flows and the totals for recent years do not represent net flows of new lending available to the region. The flow of resources from bond flotations was relatively high in 1981 but plummeted in the following years and became negative in 1983 and 1984, which reflects the greater uncertainty in the financial markets about operations with Latin America.

In 1981 total long-term net flows increased substantially, from $21.3 billion in 1980 to more than $28.8 billion, at which level they continued until 1983. However, in 1984 they fell by approximately 28 percent, primarily because of a decrease in private bank lending and in compensatory financing. In 1984, official financing came to represent 47.9 percent of the total. Partial data indicate that the financial flows remained low in 1985 despite the sustained rise in official flows, which was not sufficiently high to offset the continued contraction of private lending, whose share was probably reduced to less than half the total, a level far below that of 1970 (see Figure III-1).

External Financing Costs and Conditions

The changes in the composition of the sources of financing and in the conditions on the world capital markets have substantially altered the cost of the external financing received by Latin America. As Table III-10 clearly shows, the nominal interest rates on development loans increased markedly between 1970 and 1982, their level almost doubling in that period. However, in view of the rise in the world inflation rate, the real rate did not increase to the same extent. Actually, the real rate on development loans was negative or near zero during most of the period. Estimates of the implicit real rates of the total debt show that between 1970 and 1979 those rates fluctuated between −2.5 and 2 percent. Admittedly, the 1970s was a period during which the cost of external financing was very low, which strongly stimulated the demand for external credits. Despite the low real interest rates, external financing conditions began to show alarming characteristics during that ten-year period. The average grace and amortization periods were sharply cur-

Table III-10. Latin America: Terms of Development Loans Authorized by IDB, IBRD, AID and EXIMBANK, 1970–1984

Year	Average Interest Rate (Percentage)	Average Grace Period (Years)	Average Amortization Period (Years)
1970	5.27	5.71	18.88
1971	5.60	5.38	17.62
1972	5.90	5.89	16.67
1973	5.83	6.19	17.38
1974	5.97	6.36	16.67
1975	6.82	5.98	17.16
1976	6.98	5.27	16.60
1977	7.09	4.95	14.74
1978	6.48	5.28	14.50
1979	6.78	5.06	13.79
1980	7.34	4.75	14.59
1981	8.35	5.02	13.81
1982	9.56	5.21	13.49
1983	*	4.25	12.87
1984	*	4.63	13.47

*Averages for 1983 and 1984 could not be calculated because some of the loans were granted at variable rates of interest. However, the effective rates of interest were similar to those of 1982.
Source: Inter-American Development Bank.

tailed. The average grace period for development loans decreased from about 6 years in 1970 to 5 years in 1979 and the average amortization period, from about 19 years to less than 14 years.

The growth of private debt significantly worsened the situation since grace and amortization periods are much shorter in the private market. The decrease in the average amortization period and the rise in the nominal interest rates created a cash flow problem despite the fact that real interest rates were very low. The financial structure of the Latin American external debt in 1979 obviously made the region very vulnerable to changes in the external sector.

The conditions and the cost of external financing worsened at the very time when the economic situation of the region began to deteriorate. Thus, in 1980 the implicit real interest rate, measured as the ratio between the interest paid and the total debt disbursed, rose to unprecedented levels of between 5 and 7 percent, where they persisted until 1984. Although the grace and amortization periods for development lending leveled off between 1979 and 1982, they both worsened in 1983. However, 1984 saw an improvement, since the interest rate fell slightly and there was a tendency for the grace and amortization periods to be extended compared with the average terms of loans in 1983. Preliminary data indicate that the improvement continued in 1985 and the beginning of 1986 since loan conditions were more favorable, i.e., there was a further decrease in the average interest rate and a moderate extension of the grace and maturity periods.

3. RESOLVED: THAT THE UNITED STATES GOVERNMENT SHOULD ADOPT A POLICY TO INCREASE POLITICAL STABILITY IN LATIN AMERICA.

Secretary Shultz

Current
Policy
No. 891

Promoting Inter-American Cooperation

United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is an address by Secretary Shultz before the General Assembly of the Organization of American States (OAS), Guatemala City, Guatemala, November 11, 1986.

Let me begin by thanking President Cerezo and the people of Guatemala for inviting us to meet here. Their offer to serve as hosts of this General Assembly clearly expresses the progress Guatemala is making in putting democratic ideals into practice. I welcome the opportunity to be here, and I salute Guatemala's new democracy.

I also want to pay a personal tribute to President Duarte and the Salvadoran people. During my brief visit to San Salvador last month, I was moved by the determined effort they are making to rebuild their shattered capital. President Duarte and the Salvadoran people are again showing that they have what it takes to build a democratic society. They deserve our admiration and respect, as well as our support.

Guatemala and El Salvador are both leaders in a revolution that is transforming the hemisphere. Latin America is conclusively demonstrating that the democratic form of government has universal meaning, that it is not just a luxury for wealthy industrial societies. On the contrary, democracy, by freeing untapped social energies and providing opportunities for their productive exercise, can serve as the foundation for material prosperity and social progress in our hemisphere.

President Reagan captured the essence of the relationship between freedom and progress when he noted:

> Everywhere, people and governments are beginning to recognize that the secret of a progressive new world is the creativity of the human spirit. . . . Our open advocacy of freedom as the engine of progress [is one of] the most important ways to bring about a world where prosperity is commonplace, conflict an aberration, and human dignity a way of life.

My remarks today address three issues central to this assembly, to the political and economic vitality of our region, and to cooperation among the governments of the hemisphere. They are: combating the traffic in illegal drugs; restoring economic growth; and consolidating the democratic gains that are essential to political stability and regional security.

Combating Illegal Drug Traffic

The Specialized Assembly on Narcotic Drugs, held in Rio de Janeiro last April, unanimously proposed that the OAS undertake an action program on drug abuse and drug trafficking. That program is now before us for final approval.

The Inter-American Program of Action Against Drug Abuse expresses the shared recognition of our governments that the production and consumption of illegal narcotics, and traffic in them, constitute intolerable threats to our security. We all agree that these challenges must be met by joint action on a truly hemispheric basis. No nation is totally free from production, trafficking, or abuse. There has been an explosion in the cocaine traffic that exploits millions of coca growers at one end of the production-transportation-consumption chain and enslaves millions of users at the other end. Drug-producing countries, which may have throught they were immune from the effects of consumption, are now confronting the corrosive impact of drug abuse in their own societies.

Drug abuse is both a moral insult and a national security challenge. Its effects cut across all regional, political, economic, and social boundaries. Drugs do not discriminate between rich and poor, user and pusher. All of us are victimized.

The economic and social toll of the drug trade is enormous. Our societies are paying a price far greater than the grotesque profits that traffickers daily extort from our citizens. Countless individuals—government officials, judges, journalists, and ordinary citizens—have been assassinated by the traffickers and their hired guns. As they pursue their destructive ends, drug traders endanger our children, our family structure, and our very way of life.

Two years ago in Miami, I said that narcotics trafficking is the "modern-day equivalent of piracy." Today, we find narcotics traffickers allying themselves with terrorist groups and political extremists, seeking safehavens from justice, respecting no international boundaries, and recognizing no loyalty beyond their commitment to obscene profits.

We can only counter this international coalition of the lawless with an even stronger and more resolute alliance of the democracies of the Americas.

Thus, we must take the lead in creating a climate of outspoken intolerance against those who live outside the law; against those who prey on the innocent; against those who challenge our common democratic values. President Reagan has committed the prestige of his office, the leadership of his personal example and that of our First Lady, the energies of his immediate staff and of the Federal Government in leading America to become a drug-free society. That is our object, a drug-free society. On October 27, the President signed the Anti-Drug Act of 1986. This sweeping legislation doubles the budget of U.S. agencies involved in drug enforcement and anti-drug educational activities; stiffens prison sentences, with a provision for a mandatory 10-year minimum sentence for major traffickers; and introduces a host of new initiatives aimed at reducing demand for drugs in the United States and strengthening our cooperation abroad.

We must also work together to make drug trafficking an unprofitable activity. Despite enormous difficulties, governments from Bolivia to Mexico are beginning to strike back. Two years ago, only two countries were eradicating narcotics crops; today, 15 countries in the world are engaged in eradication programs—on the ground and from the air. We are expanding regional cooperation and forging national and international solutions to the scourge of narcotics. We can be proud of this progress.

Still, the road ahead is long and arduous. More, much more, remains to be done. Our approach has to be based on regional cooperation rather than local or national initiatives; otherwise, traffickers will simply move their operations across the nearest border. The keystone of the regionwide program we are to approve here will be a new Inter-American Commission on Drug Abuse Control. The commission will be composed of senior government representatives in the area of narcotics control. It will be supported by an Executive Secretariat to carry out technical assistance projects and operate three programs: regional training centers, a central data bank, and a documentation center.

As a strong believer in multilateral cooperation, I welcome the creation of this inter-American commission. With its Secretariat, the commission will perform precisely the kind of work the OAS is best suited for: the study of common problems and the coordination of our efforts to achieve a more efficient division of labor in confronting the problems of our hemisphere. Our concerted attack on the drug scourge is urgently needed, and I believe it is destined to succeed. For too long, our societies have not faced up fully and squarely to the giant narcotics trafficking empire; and our individual and bilateral actions were not adequate to the challenge. Today, we all understand that through inter-American cooperation, narcotics organizations can and will be crippled. And success in that effort will yield additional dividends in terms of cooperation in other fields of endeavor.

Restoring Economic Growth

We turn to the field of economics: cooperation on economic matters is also critical for all of us. The nations of Latin America have faced difficult circumstances in recent years as the recession and debt crises have compromised prospects for economic growth. But the potential is greater than ever, and I believe we are now back on the road to long-term and self-sustaining growth. A joint report by Brazilian, Mexican, and U.S. research institutions concludes that "the world environment is improving" for "a strategy centered on outward orientation, new market incentives for savings and investment, and a fundamental shift in the role of the state."

We must reject policies that, by stifling individual initiative, perpetuate poverty. Freedom is the key to development—freedom of the entrepreneur to innovate, to invest, to move capital and freedom of the market to set wages, prices, interest rates, and exchange rates. Without the foundation of freedom, foreign loans and aid will have, at best, short-term effects in economies incapable of sustaining long-term economic growth.

There is growing recognition of this reality in Latin America. Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, and Uruguay are among the countries that have taken major steps to construct more market-oriented economies, to reduce inflation, and to encourage entrepreneurship. Guatemala and other Central American countries have taken encouraging steps toward stabilization. In most countries, however, more work needs to be done on domestic reform. The United States, too, has plenty of work to do on its own fiscal problem: our way-too-large budget deficit. We must all make a genuine commitment to removing those impediments that limit growth, discourage external capital flows, and encourage capital flight. The United States stands ready to support such efforts.

In October 1985, at the annual meetings of the International Monetary Fund and the World Bank in Seoul, the United States proposed that the international community undertake a major, coordinated Program for Sustained Growth. It became known as the "Baker plan." This effort, we asserted, must focus on growth-oriented structural reforms supported by the international financial community.

I might say that during this long-term effort we went through a stage where the answer to the problem seemed to be austerity. And, of course, there are, no doubt, instances where austerity in various forms is essential. But I think we all see that certainly the basis of the Baker plan is that in the longer run the answer to our debt problem, let alone all other problems, is not austerity; it is growth: economic growth is what we have to get.

The International Monetary Fund and the World Bank have developed activities in support of the Program for Sustained Growth. We must work together to ensure that the Inter-American Development Bank (IDB) becomes an active participant in this program. This new role for the IDB is under discussion as an integral part of the 7th replenishment negotiations. We believe that agreement can be reached on an increase in the IDB's lending program to support the domestic reforms necessary for sound development.

Trade is another and indispensable element of the "global bargain" I outlined last year. An open global commercial system responsive to changing economic conditions is a stimulator of growth. Maintenance and expansion of such a system require that all countries—developed and developing—resist domestic pressures for protectionist measures. We must take positive, market-opening actions that eliminate unfair trading practices and expand market access for goods and services.

We have together taken a major step in that direction in Uruguay this past September with the successful launching of the current round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade, known as the GATT. Twenty

Latin American and Caribbean countries are now members of the GATT. They have an important role to play, and their participation will be enhanced if more countries of the region join them in seeking improved trading opportunities.

But what of the U.S. role? The United States historically has championed free trade. We believe that an international trading system based on free trade is the best assurance of prosperity for ourselves and for the rest of the world.

Free trade has also clearly benefited Latin America. The U.S. trade balance with the region went from a $1 billion surplus in 1981 to a $19 billion deficit in 1985. In 1985, Latin America exported $103 billion worth of goods and services; of this, $49 billion went to the United States—just about half.

We have taken the lion's share of the increase in Latin American exports since the onset of the debt crisis. We are proud of our record in keeping our markets open, and we will stress to our trading partners the critical importance of a common effort to keep the international economy open.

Without such an effort, the protectionist forces now at work in the United States will find easy justification for their destructive policies. The Reagan Administration has vigorously opposed protectionist legislation. We know full well that untold damage would be done to the world's—and, in particular, to Latin America's—chances for prosperity if we succumb to the pressures for these shortsighted measures.

We have not won every battle against protectionism, but we have won the most important ones. President Reagan vetoed restrictions on copper and footwear. His veto of the highly restrictive textile bill was recently, if narrowly, upheld. Congress adjourned without passing other, broader protectionist legislation that had been introduced, and, in fact, one passed the House of Representatives. These protectionist forces will reemerge next year. You can count on it! And you can count on President Reagan's determination to continue the fight. But we need your help!

We in the United States cannot help but observe that many other countries do not maintain markets as open for U.S. goods and services as our markets are open for foreign manufactures and services. If we are to win the war against protectionism, we must demonstrate, through progress in bilateral discussions and in the new trade round, that we are taking effective action to broaden global trading opportunities for everyone—including U.S. exporters.

I've stressed the necessity of restoring growth to the hemisphere, because growth is the best way to deal with the debt problems, and the only way to improve living standards. Recent movements in interest rates and exchange rates have favored the renewal of growth. Since 1981—it is interesting to look back; it is only 5 years ago—international interest rates have dropped from around 17% to around 6%. It's a huge decline. For each percentage point reduction, the eight major debtor countries save approximately $2 billion per year. So, let us do a little arithmetic here: 17 minus 6 equals 11 multiplied by 2 equals . . . and that is how much per year: $22 billion, approximately per year. And that ain't hay, as they say. However, a severe drop in private capital flows—from $49 billion in 1981 to $27 billion in 1982, to less than $6 billion in 1985—remains a major constraint on higher growth in the hemisphere. Advances in regional growth have been financed almost entirely from official lending, international trade, and some structural adjustments in a few countries.

To address this problem, the OAS held a special meeting in San Juan this year on domestic and foreign capital flows. That meeting concluded that more has to be done to encourage the investment of private capital. You have a report on that meeting before you, and I hope you will approve it. Each nation is responsible for creating the conditions that will establish confidence among investors. Many countries in the hemisphere are moving in that direction, but much, much more needs to be done. Sustained reforms and an improved overall climate for investment—foreign and domestic—are crucial to achieving our goal of growth.

Consolidating Democratic Gains

As was stated so eloquently by many during our informal dialogue, economic and political freedom go together. The Charter of the Organization of American States proclaims that "the historic mission of America is to offer man a land of liberty." The resurgence of democracy is putting us in a better position than ever to fulfill the promise of the Charter.

As an expression of our commitment to democracy, last year we all agreed to an addition to the Charter that states, "Representative democracy is an indispensable condition for the stability, peace, and development of the region." Democracy is the practical expression of self-determination. The solidarity it creates increases security from foreign intervention.

It is vitally important that all of us in this organization have a clear agreement on the priority of democracy and on the relationship between democratic government and the other fundamental principles of inter-American cooperation. Democracy, security, political stability, and economic development are not separate, free-floating concepts. On the contrary, they are closely linked. Self-determination cannot be denied without weakening democracy. A threat to security challenges the principle of nonintervention. The United States believes these principles must all be defended.

Let me take the crisis in Central America as an example.

- The United States does not want any Central American country to become a threat to the stability or security of its neighbors.
- The United States wants pluralistic democracy and economic and social development to thrive in Central America.
- The United States believes that the people of Central America can achieve peace, development, and justice without external interference, by their own decisions and based on their own experiences.

The challenge to these principles does not come from the United States. Does anyone really think the United States wants to turn Central America into a vortex of East-West turmoil? The United States provided aid to help Nicaragua rebuild after the fall of Somoza in 1979. And for a period there, the per capita flow of aid from the United States was the highest of any flow to any country in the world. So what did the Nicaraguan communists do? They sought arms from the Soviet bloc and used them to deny the Nicaraguan people their right of self-determination.

The United States accepted the new Nicaraguan junta's pledges of democracy and nonalignment. But what are the Nicaraguan communists doing? They are intervening in the internal affairs of their neighbors. The Nicaraguan regime is fundamentally destabilizing to Central America; and instability there will have its effects throughout the hemisphere. As Costa Rican President Arias told us at this fall's UN General Assembly, reading from the speech:

> There is no respite from the path chosen by the *comandantes* who betrayed a revolution destined to give democracy to generations who knew only repression. There is no respite for a people, frustrated and deceived, who have returned to civil war. There is no respite for neighboring lands, who feel the threat from a new dogmatic totalitarianism and who suffer now the consequences of a border rife with anguish and disenchantment.

So spoke President Arias in the UN General Assembly, the President of Costa Rica.

The regional arms race launched by the *comandantes* is a matter of grave concern to us. They displayed it the other day. With the assistance of the Cubans and the Soviets, they have built the largest military establishment in Central America's history. It is impossible to imagine peace and stability returning to the region until this massive growth in armaments is constrained and ultimately eliminated.

We must not forget, however, that the external relations of the regime in Managua are not the core of the challenge they pose to us. That core is their perversion of the principles of the revolution against Somoza. As we in this organization know particularly well, they came to us and we helped them; the *comandantes* have systematically violated the solemn democratic undertakings with which they obtained domestic and international support. As long as the legitimate desires of the Nicaraguan people for genuine democracy are repressed, the inevitable result will be rebellion, insurgency, and civil war.

We cannot give lip service to democracy when it is convenient and costless, but then turn our backs on it when there are costs or risks. Foreign intervention in the form of alien ideologies and foreign cadres—from Cuba, the Soviet Union, East Germany, North Korea, even Vietnam and Libya—is, at this very moment, promoting instability and violence in Central America. Failure to confront this threat will only guarantee that the region will be increasingly drawn into great power rivalries. The only road to peace and stability is to eliminate that alien intervention.

The Contadora process could be an important component of our efforts to make the practice of democracy universal in Central America. We supported the Contadora process from the start for two reasons. First, we saw it as a way of addressing both the political and security issues underlying continued instability and violence in Central America. And second, it offered the prospect of producing regional solutions to regional problems. We were, and are, prepared to support a comprehensive, simultaneous, and verifiable agreement that will attain the 21 objectives agreed to by the Contadora nations in 1983—all of them.

Unfortunately, nearly 4 years of effort by the Contadora countries and, more recently, by the Contadora support group have not produced a workable agreement. The *comandantes* continue to act as an armed vanguard against their people and their neighbors. But Central America's democracies will not be intimidated. They are insisting on a negotiated solution that will satisfy the interests of all the countries of Central America and of the hemisphere.

We must also affirm that threats to democracy and regional security are not confined to Central America. Those countries which have consistently pursued the principles of democracy, and those which have recently returned to them, have an obligation to hasten a democratic transition in all the remaining nondemocratic nations of the hemisphere. In our recent relations with Chile, for example, we have made absolutely clear our strong support for a prompt and successful return to democratic government.

We also have an obligation to offer our moral, political, and material support to those peoples already struggling to implant true democracies in their countries. I particularly have in mind the heroic efforts of the Haitian people and their leaders to overcome generations of tyranny and build democracy virtually from the ground up. I want to commend the Secretary General for his initiative on Haiti. The United States is prepared to support it.

The danger of foreign intervention and exploitation of instability is present wherever democracy and human rights have been systematically denied. The recent discovery in Chile of several secret arms caches is a vivid but by no means isolated example. The caches contained a mixture of new Soviet-bloc arms and secondhand American weapons. The American weapons had been left behind in Vietnam and were similar to ones the Soviets and Cubans have, in recent years, shipped to subversives in Colombia, El Salvador, Guatemala, Honduras, Jamaica, and other countries of the region. If you bear in mind the recent assassination attempt against the Chilean President, these arms caches were most likely meant for use in the context of a post-Pinochet government—in other words, against a democratic outcome in Chile, more than against the present government. Such interventions will continue if we relax our vigilance or if we waver in our support for democracy and justice in the Americas.

Conclusion

It is clear that we who live in this hemisphere face a series of common challenges to our security and well-being: the powerful and lethal alliance of terrorists and drug smugglers; major problems of economic growth; the vestiges of authoritarianism; and communist subversion supported by the Soviet Union, Cuba, and Nicaragua.

Each of these challenges—alone or in combination—threatens the great progress we have achieved. But we cannot deal with them if we are divided. Unless we join forces in common battle against common foes, we will not be successful in defending our vital interests and our shared ideals.

To be sure, our tasks are demanding. But their cost is far less than the price of inaction. If we fail to launch a hemisphere-wide attack on narcotics traffickers and drug abuse, the very future of our next generation will be in jeopardy. If we do not improve the economic well-being of our people, the great promise of democratic self-government will go unfulfilled. And if we do not make the Americas a region of secure freedoms, we will betray our most fundamental values and convictions.

In addressing these great challenges, we can draw encouragement from a most important discovery. We have once again discovered that freedom is a revolutionary force. Dictatorships—whether of the left or the right—are not permanent. Not so many years ago, democratic nations were thought to be a dwindling minority. Today, we see that the vitality of the democratic idea is the most important political reality of our time.

What we are witnessing is the re-creation and growth in our hemisphere of a genuine democratic community. When the people of Guatemala, or Venezuela, or Brazil go to the polls, they advance the cause of freedom not only in their own country but throughout the Americas. Everywhere in the region, people understand that the future of their freedom is closely tied to the fate of freedom elsewhere. They know that the success of their democratic government is enhanced by cooperation and mutual support among democratic leaders and peoples everywhere. And they realize that regimes which deny the right of democratic self-government pose an inexorable threat to peace.

Perhaps our fellow Foreign Minister Edgar Teran of Ecuador said it best this past September, again, at the United Nations. Reading what he said:

> In the end, so long as democracy does not find true and effective expression, so long as there is no setting aside the practice of forcibly compelling people to accept regimes which they have not themselves freely chosen, so long as it is impossible for many to live in their own country, dominated by tyrannical elements, peace will be a distant and almost contradictory aspiration.

And so he said. I agree with him.

We can and must work together to end tryanny in all of Latin America. We must eradicate the scourge of narcotics. And we must stimulate the economic growth that will build a better life for our people. Let the New World stand as a vital example of human dignity and democratic self-government, to men and women everywhere. ■

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Democracy in Latin America and the Caribbean: The Promise and the Challenge

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Contents

Latin America and the Caribbean

Recent Achievements 1
Roots of Change 4
Facing the Challenges 8

The United States

A New Consensus? 13
Support for Democracy
  Proven Tools 14
  Recent Initiatives 20
The Need for Mutual Support ... 22
Country Summaries 24

> ***"Latin America's extraordinary effort to create a democratic order is the most stunning and moving political fact of recent years."***
>
> José Sarney, President of Brazil,
> Address to the UN General Assembly,
> September 23, 1985

Recent moves toward more democratic systems of government in Latin America are now a decade-long trend that has led to the replacement of numerous military regimes or dictatorships (see map at centerfold). In the United States during the same period, considerations of human rights, the dignity of the individual, and the defense of freedom have led to a widening bipartisan consensus in support of democracy as a key principle of U.S. foreign policy.

These converging trends create a rare opportunity. If sustained, they could have profound implications for the future of the Western Hemisphere. At a minimum, their continued convergence can make possible a new era of greater cooperation in hemispheric relations.

The instability of past Latin American development and the discontinuity of U.S. policy toward its neighbors make clear that this long-term promise is still just a possibility. Today's converging trends are real, but they are also fragile. Latin Americans continue to struggle with numerous and urgent obstacles to full democratization, including appalling differences in the living standards of rich and poor, inadequate economic opportunities, and political extremism. To help turn today's promise into tomorrow's reality, the United States also must overcome many domestic problems and conflicting priorities that hinder sustained U.S. support for democracy in Latin America and the Caribbean.

Both the democratic promise and the challenges to it have become more sharply defined since the Department of State first reported on the democratic transition nearly 3 years ago (see "Democracy in Latin America and the Caribbean," Current Policy No. 605, August 1984). This report was prepared in the Bureau of Inter-American Affairs.

Latin America and the Caribbean

RECENT ACHIEVEMENTS

Since the early 19th century when most of the nations in the hemisphere achieved independence, most people living in the region found that national independence did not necessarily bring individual freedom. Today's democratic advances, however, could mark a watershed between a past of instability and authoritarianism and a future of greater freedom.

Just a decade ago, such a possibility seemed remote indeed. In 1976, only 34% of the people in the Western Hemisphere outside the United States and Canada enjoyed democratic rule. True, Costa Rica had a strong tradition of civilian authority, competitive politics, and model constitutional arrangements for elections. But Costa Rica's neighbors in Central America were presided over by generals who had become presidents either by open use of force or by stage-managed elections. In South America, democratic Venezuela and Colombia were almost as isolated. Led by generals as different as Chile's Augusto Pinochet on the right and Peru's Juan Velasco on the left, the continent was almost defiantly militarized. The promise of Bolivia's national revolution of the 1950s had given way to military dominance, as had Uruguay's social democratic utopia. Even decentralized and moderate Brazil was under military rule. Individual Latin Americans bearing witness to torture and official violence were in exile throughout the Americas and Europe. When internal war and repression in Argentina were followed by surprise military action in the Falklands/Malvinas Islands, many saw a pattern that symbolized a region condemned to military abuse and antidemocratic practice.

> "***Man's capacity for justice makes democracy possible, but man's inclination to injustice makes democracy necessary.***"
>
> **Reinhold Niebuhr**

In marked contrast, today 91% of the people of Latin America and the Caribbean live in nations committed to a future based on democratic principles. In 10 years, 10 countries have moved, often dramatically, toward democracy. In nine of the ten, military presidents have been replaced by elected civilians: Argentina (1983), Bolivia (1982), Brazil (1985), Ecuador (1979), El Salvador (1984), Guatemala (1986), Honduras (1982), Peru (1980), and Uruguay (1985). In the 10th country, Grenada, an elected civilian succeeded two consecutive autocrats who were themselves civilians but who had relied on armed thugs to rule. (In an 11th country, Panama, direct military rule ended in 1978, but in a clear setback for democracy in 1985, a civilian president was pressured to resign by the military.) In the Caribbean Basin, the six former British dependencies—Antigua and Barbuda, Belize, Dominica, St. Christopher and Nevis, St. Lucia, and St. Vincent and the Grenadines—that became independent nations during the past decade did so as democracies.

The following examples of electoral politics where there were none just a few years ago highlight the progress that has been made from the Caribbean to Tierra del Fuego and from Central America to the Andes.

Argentina. The 1983 presidential and legislative elections ended a decade of internal conflict and military rule. Voter participation exceeded 85% of those registered in an open contest among eight political parties representing the full political spectrum. The presidential race offered a choice between candidates from Argentina's two major historic movements, Peronism and Radicalism. In winning, Radical Civic Union leader Raúl Alfonsín received the most votes in Argentine history. In the two ensuing years, voter registration increased by an additional 4%, and the 1985 legislative elections again attracted massive participation.

Brazil. Congressional and municipal elections in 1982 heralded the transition to civilian government and the resurgence of competitive electoral politics in Latin America's largest country and the world's third most populous democracy (after India and the United States). The percentage of adults who voted rose from 45% in 1962 to 81% in 1982. A civilian president was elected by indirect vote on January 15, 1985, but died before his inauguration. In accordance with legal procedures, the civilian Vice President-elect, José Sarney, was sworn in, ending two decades of military rule. The democratic transition is being completed with the writing of a new constitution by the Congress elected in November 1986 by more than 47 million voters.

Dominican Republic. The ruling party expected to retain the presidency and to control the legislature in the May 1986 national elections. But after 70% of the registered voters cast their ballots, the opposition candidate had the most votes. When the leader of the opposition, Joaquín Balaguer, became president in August 1986, the entirely peaceful transfer of power was a reaffirmation of Dominican democracy. The absence of either interference by the military or outside intervention also contrasted markedly with past Dominican history, which includes the 31-year Trujillo dictatorship, a military operation by the United States and the Organization of American States in 1965, and overt pressure from the United States for all sectors to support the results of the democratic elections in 1978.

El Salvador. Four times in 5 years, massive numbers of voters braved violence and threats of violence to cast their ballots in hotly contested nationwide races conducted under intense international scrutiny. In 1984, an absolute majority of all adult Salvadorans twice defied guerrilla appeals for a boycott to vote in the first truly competitive presidential elections in 12 years. The result: civil engineer and Christian Democratic leader Jose Napoleon Duarte—the very man who had been denied the presidency by the military in 1972—was elected over retired Army Maj. Roberto D'Aubuisson and six other candidates.

Grenada. After the Marxist New JEWEL Movement seized power in a 1979 coup, it reneged on its promise to hold elections. In October 1983, however, the New JEWEL's "People's Revolutionary Government" disintegrated in bitter factional fighting. Prime Minister Maurice Bishop and three other ministers were assassinated by their own comrades. At the invitation of Governor General Sir Paul Scoon, a joint U.S.-Caribbean military expedition restored order, then withdrew, leaving a provisional government named by Grenada's Governor General to organize free elections. On December 3, 1984, 85% of Grenada's registered voters went to the polls to elect a parliament. Six political parties were on the ballot, including one formed by supporters of Maurice Bishop and one backed by former Prime Minister Eric Gairy (whose violent overthrow had initially enabled Bishop to seize power). Neither of these groups was successful: the New National Party garnered roughly 58% of the vote, and Herbert Blaize formed a new government in accordance with the 1974 constitution.

Guatemala. Seeking a political path out of Guatemala's internal violence and international isolation, military leaders in 1983 decided to transfer power gradually to civilians. On July 1, 1984, 72% of Guatemala's eligible voters cast ballots that sent representatives from nine political parties and one regional civic committee to a constituent assembly. On November 3, 1985, free elections were held for president, vice president, congressional deputies, and mayors. When no candidate for the presidency received a majority, a runoff was held on December 8, 1985, between the two leading contenders, both civilians. In that contest, Christian Democrat Vinicio Cerezo won more than 68% of the vote. On January 14, 1986, the new constitution came into force, Cerezo was inaugurated, and military control over daily life in Guatemala was sharply reduced.

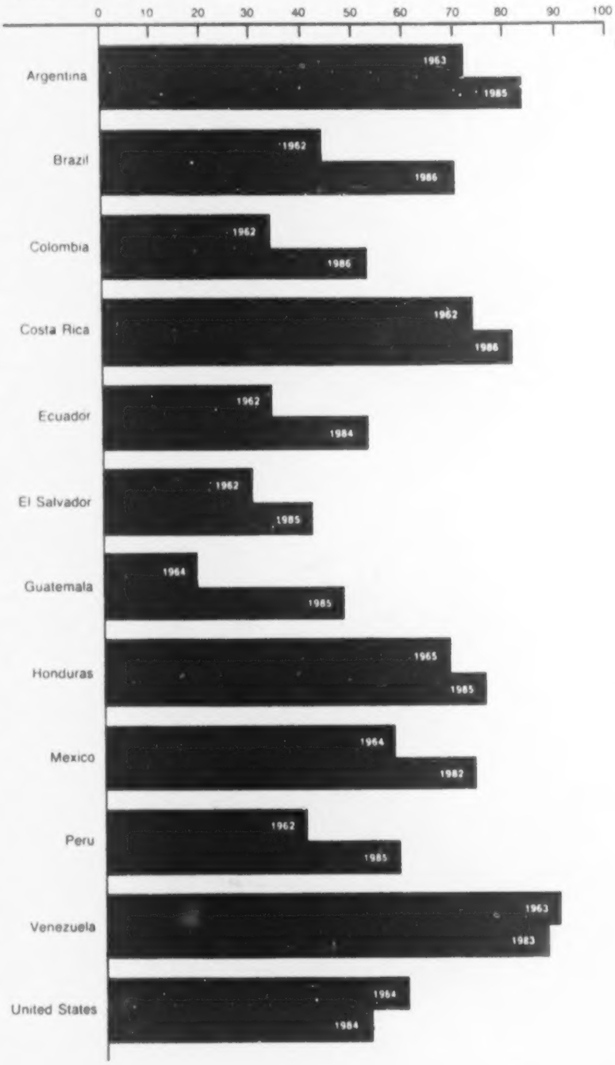
Peru. After 12 years of military rule, the 1979 constitution and 1980 presidential elections put Peru back on a democratic course under civilian leadership. Since then, municipal (1983 and 1986) and presidential (1985) elections have followed prescribed constitutional and legal procedures. In 1985, more than 91% of Peru's registered voters divided their ballots among candidates representing 12 political parties. Alán García became the first member of Peru's historic American Popular Revolutionary Alliance (APRA) party to be elected president. He also became the first elected civilian since 1945 to receive Peru's presidential sash from another elected civilian.

Uruguay. Uruguay returned to democratic government in March 1985 following 12 years of military rule that had tarnished a record of freely elected civilian government dating back to the 19th century. More than 87% of the nation's eligible registered voters cast their ballots in national elections in which two major political parties and a leftist coalition competed.

The swell of democracy is not superficial. It has been welcomed by electorates which have organized, campaigned, and voted in record numbers throughout the region. Since 1980, voters in 24 independent countries of Latin America and the Caribbean have cast more than 280 million votes in more than 50 nationwide elections to select presidents, national legislatures, and constituent assemblies. In virtually every case, the number of people going to the polls reached record highs.

Growth of Voter Participation in Selected Countries[1]

Estimate of percent of total adult population voting



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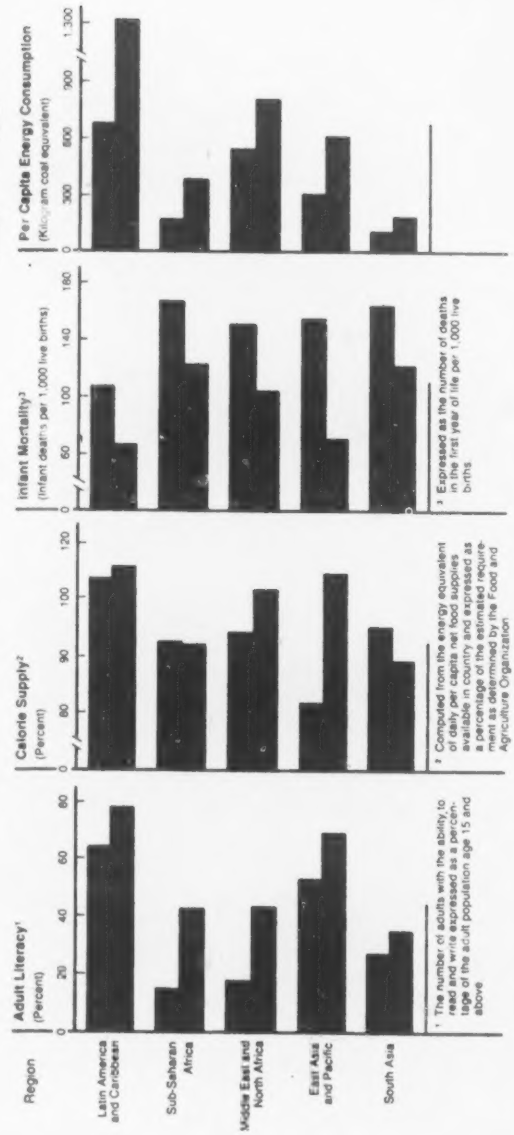
[1] Estimates based on votes cast as a percentage of total population age 20 or over as reported in the *United Nations Demographic Yearbook* for the year in question.

Regional Comparison: Indicators of Living Standards, 1960 and 1980



[1] The number of adults with the ability to read and write expressed as a percentage of the adult population age 15 and above

[2] Computed from the energy equivalent of daily per capita net food supplies available in country and expressed as a percentage of the estimated requirement as determined by the Food and Agriculture Organization

[3] Expressed as the number of deaths in the first year of life per 1,000 live births

Source: World Bank, *World Tables*, 1983 (3d ed.)

Compared to the 1950s and 1960s, the proportion of eligible voters actually going to the polls has been up sharply, in some cases by as much as 50%. Nor have the increases resulted from forced voting. Turnouts were as high or higher in some countries where voting is not mandatory (85% in Grenada in 1984 and 89% in The Bahamas in 1982) as in some countries where voting is traditionally compulsory. Where voting is required, the historic form of voter protest, the incidence of blank or defaced ballots, tended to diminish substantially as voters gained the opportunity to vote for genuine alternatives.

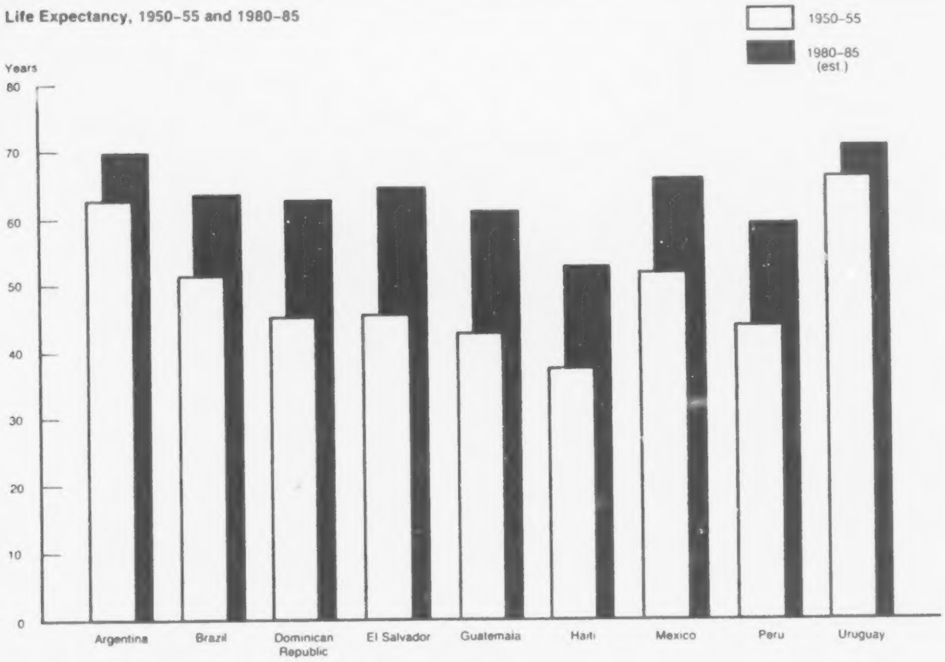
Democracy, of course, is more than free elections. But its essence is the right of citizens to decide regularly whether to keep or replace those who claim to represent them. The absence of genuinely free elections in Chile and Paraguay, patently unfair elections in Nicaragua, and allegations of vote fraud in Mexico and Panama are major continuing difficulties. Cuba has not held a single direct popular election for national office since Castro came to power in 1959.

Though Latin America's recent electoral record is still far from perfect, the changes that have already taken place have made an enormous difference for millions of Latin Americans. Most of the brutal dictatorships are gone. Latin America's longstanding democracies—Costa Rica, Venezuela, and Colombia—no longer are isolated. On the contrary, it is the authoritarian regimes that are becoming isolated. Cuba and Nicaragua on the totalitarian left, and Chile and Paraguay on the authoritarian right, are the only major exceptions to the trend. Even Haiti, perhaps the most compelling case of a country plagued by brutal dictatorship and the degrading economic deprivation that it generated, has taken the first steps toward democratic government following the ouster of the Duvalier dynasty on February 7, 1986.

ROOTS OF CHANGE

The shift away from authoritarian regimes (typically dominated by military leaders) to freely elected governments (typically led by civilians) reflects many forces, some of them quite transient. But more lasting underlying forces have been at work as well.

Social change and economic development, the growth of institutions, and political and cultural shifts have com-



Life Expectancy, 1950–55 and 1980–85

Source: CEPAL. *Informe de la Reunión Regional Latinoamericana Preparatoria de la Asamblea Mundial sobre el Envejecimiento*, San José, March 31, 1982.

bined to weaken the old power centers and add new ones. Influences from outside the region also have been important. This section describes the many factors increasing Latin America's capacity to sustain democracy; the next section discusses the many problems with which democrats must still contend.

Improved Socioeconomic Conditions

Latin American societies are scarred by poverty and sharply unequal distribution of opportunities and services. Yet, over the last two generations, standards of living (as measured by infant mortality, literacy, nutrition, and energy consumption) have improved more dramatically in Latin America and the Caribbean than in any other region in the developing world (see charts, p. 4).

Between 1960 and 1980, per capita income doubled despite rapid population growth. Throughout Latin America, urbanization, industrialization, and institutional development broke down old class structures and spurred the growth of middle classes. Values and attitudes developed that foster political participation and make dictatorships harder to sustain.

This increased potential for democracy cannot by itself guarantee that democracy will be achieved or maintained. Moreover, recent declines in gross domestic product have created a host of problems (discussed in the next section) that pose serious challenges to the democratic transition. But the development that has taken place is undeniably improving the base necessary for democracy to prosper.

Education. Improvements in education have outstripped increases in population. The percentage of primary school-age children attending school increased from 57% in 1960 to 82% in 1980. In 1960, only 35% of the region's children aged 12–17 were enrolled in school; a mere 6% of the university-age population attended universities and technical schools. By 1980, these figures were 63% and 26% respectively. These gains account for the 79% adult literacy rate for the region in 1980. Such successes have increased political awareness, increased expectations about the role of government, and expanded economic opportunities for workers and entrepreneurs.

Health. Lowered infant mortality rates and increases in life expectancy have combined with the virtual eradication of once-common debilitating diseases such as poliomyelitis to improve general health conditions. Healthier individuals have more opportunity to develop political interests, as well as greater energy to devote to political involvement.

Urbanization. Once overwhelmingly rural, Latin America has urbanized faster than the rest of the developing world. In 1950, only seven cities in the region had populations larger than 1 million; by 1980, the number had climbed to 25, and this figure could double by the end of the century. About 37% of Latin America's population resided in urban areas in 1950. Today, more than two-thirds of the region's people are city dwellers. Urbanization has eroded the rural power base of the traditional landed elite, while simultaneously facilitating communication and political participation.

Institutional Development

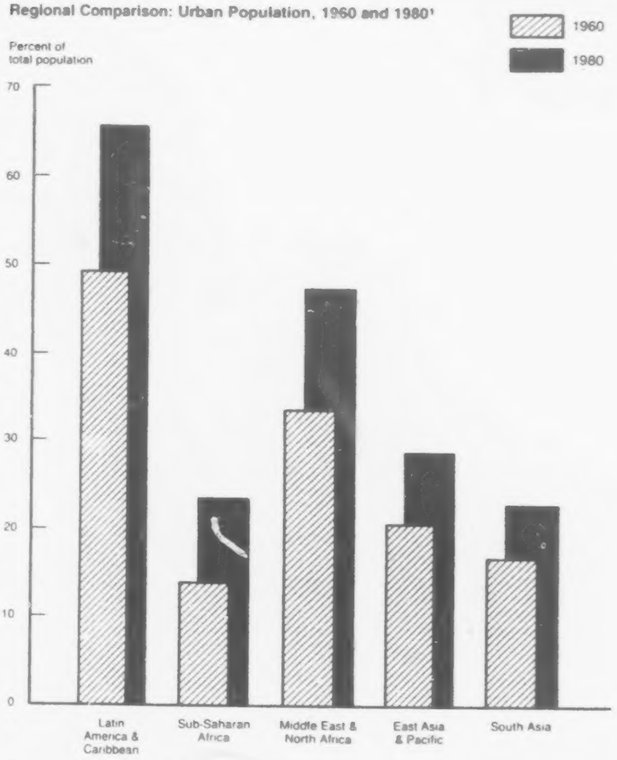
The spread of education and industrialization have transformed old institutions and created new ones. Both public institutions (military forces, government bureaucracies, and national universities) and private institutions (the church, political parties, private universities, trade unions, and major corporations) have been affected.

The evolution of religious and military institutions—"the cross and the sword" of the Spanish conquest and key pillars of traditional order ever since then—illustrates the new values, organizational diversity, and reduced power of individual *caudillos* that have increased space for democratic politics.

In the quarter century since Vatican Council II, Latin America's Roman Catholic bishops have tended to act as social critics, leading the church to positions open to change and independent of secular authorities. Together with the spread of Protestantism, this has encouraged political as well as religious diversity.

The armed forces, meanwhile, have become less tied to economic elites and more professional. Despite ever-present rewards for strong individual leadership, military leaders must deal with their fellow officers within an institutional framework. The road to command is now usually as much a function of technical competence, bureaucratic skill, and coalition building as it is of personal magnetism or direct troop command.

Regional Comparison: Urban Population, 1960 and 1980[1]



[1] As defined by individual countries.

Source: World Bank, *World Tables*, 1983 (3d ed.).

Political and Cultural Changes

Mass Communications. Radio has given virtually every household in Latin America and the Caribbean access to information previously reserved to the traditional elites. More people are reading an ever-growing variety of newspapers, magazines, and books. And except for the few people isolated in remote regions such as the Amazon Basin or Patagonia, almost everyone has at least occasional access to television.

Improved access to information and ideas has raised expectations and increased pressures for participation and political change.

Democratic Activism. Aspirations for greater political participation have tended to combine in recent years with rejection of the violence and abuse of political extremists and dictatorships of both left and right. Volunteer civic education programs, such as the Argentine organization *Conciencia* (see box, right), have proliferated. By informing people of their rights and responsibilities as citizens of a democracy, civic movements draw more people into the political process.

Momentum. With each election, the right to choose becomes more institutionalized, establishing habits of pluralistic political practice that widen voter participation and broaden support for democratic government. Each election increases political activism, as more citizens take part in civic education programs, serve as poll workers, campaign for candidates, or run for office. With each peaceful transition from one civilian government to its successor, the democratic machinery is further refined and improved.

External Influences

U.S. Policy. Under two very different administrations since the mid-1970s, the United States has sought to encourage democratic transitions in Latin America. Under the Administration of President Jimmy Carter, support for human rights was the guiding principle. During the Administration of President Ronald Reagan, the emphasis shifted toward a policy championing the broader values of democracy. The practical effect was one of substantial bipartisan continuity. Bolivia and El Salvador, for example, were both very controversial at the time of the 1980-81 transition between the Carter and Reagan Administrations. In both cases, the United States consistently supported democratization to successful outcomes. By 1986—when the U.S. offer to transport Jean Claude Duvalier out of Haiti helped prevent further bloodshed and proved a key factor in Duvalier's decision to step down—few doubted that democracy was one area where the U.S. Executive and Congress had found common ground.

Conciencia and the Future of Democracy

In August 1982, on the eve of Argentina's return to civilian government after 8 years of military rule, 22 women organized a grassroots movement to help the nation prepare for the general elections. Today, *Conciencia* (Awareness) has more than 8,000 members engaged in countless projects to educate Argentines about their rights and responsibilities as citizens of a democracy.

Conciencia's goal is to train the nation's citizens, particularly its women, to participate actively and effectively in political and community life. In addition to courses in basic civics, civic leadership, and political participation that emphasize consensus building, *Conciencia* sponsors lectures and exhibits on various domestic and international topics, publishes a series of educational pamphlets, and produces "public service" announcements for radio and television. All activities are nonpartisan.

Conciencia's success has motivated similar women's groups in several Latin American countries. At the request of a group in Montevideo, Uruguay, *Conciencia* helped establish the Uruguayan organization *Encuentro* (Encounter) in 1985. *Conciencia* has also provided assistance to a sister organization of the same name in São Paulo, Brazil. Requests from groups in Bolivia, Chile, and Peru have prompted *Conciencia* to organize the First South American Meeting on Civic Education and Participation, scheduled for September 1987 in Buenos Aires. Participants from 10 countries are expected to attend.

Conciencia receives financial support from corporations, local foundations, and the U.S. National Endowment for Democracy (NED), established by Congress in 1983 to support the development of democratic institutions around the world. NED support for *Conciencia* has been managed by OEF International, originally established as the overseas arm of the U.S. League of Women Voters. The NED also is assisting other civic education organizations in Dominica and the Dominican Republic and is a major source of funding for the Buenos Aires conference.

The impact of *Conciencia* on civic education at the grassroots level is a measure of the powerful attraction of democracy as both a political system and a way of life. It has inspired thousands in Latin America, drawn primarily from the middle class, to make a personal investment in democratic government. *Conciencia's* success demonstrates that democratic solidarity across borders can be eminently workable.

Iberian Examples. Despite frequent political disagreements, most Latin American countries have cultural and emotional affinities to Spain and Portugal rooted in the colonial experience. The demise of authoritarian military regimes in the two Iberian "mother" nations during the mid-1970s added impetus to democratic forces in Latin America. The subsequent consolidation of democracy in both countries provided democratic models to complement that of the United States and those of Latin America itself.

Failed Alternatives. Democracy also has profited by negative examples. The military development model (generally dubbed "Nasserist", for its Egyptian variant despite its prevalence in Latin American history) has taken a severe drubbing along with military dictatorships in general. And the evident misery inflicted on the people of Cuba by the rigid political and economic controls imposed by Castro's regime inspires little willing emulation.

Outside the hemisphere, calls for political and economic freedom in Poland, student demonstrations in China, and the replacement in the Philippines of President Marcos by the popularly elected Corazon Aquino, also have bolstered the belief that democracy is the tide of history.

FACING THE CHALLENGES

Though recent progress is undeniable, democracy's future is far from secure. Such factors as literacy and organizational potential are necessary ingredients of democratic politics, but they are not sufficient. Like Europe's experience with nazism and fascism, Latin America's history demonstrates that wealth and a widely educated citizenry are not necessarily incompatible with dictatorship—consider the records of Argentina, Chile, and Uruguay. Socioeconomic development is not enough by itself to avoid dictatorship or turn authoritarianism into democracy.

Many observers of the Latin American scene see the region caught up in a perpetual cycle of instability in which elected civilian governments lose the authority to govern and give way to authoritarian military regimes, which, in turn, lose legitimacy and give way to a repetition of the cycle. In this view, the democratization described in this report is superficial and transient, the product of "time-for-a-change" swings induced by the failure of authoritarian regimes to cope with economic and social problems, their abuses of human rights, and plain political exhaustion. Similar swings took place after World War II and again in the late 1950s and early 1960s. Each time, the pendulum swung back again.

Is recent progress just the latest swing in an endless cycle? Or do the nations of the region finally face a real opportunity to maintain their democratic momentum? This section attempts to contribute to an answer by analyzing five key problems that impede democratic consolidation.

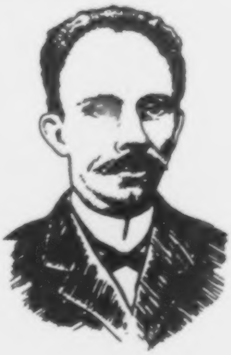
Militarism

Military leaders and institutions played key positive roles in the democratic transition in several countries, notably Brazil, El Salvador, Guatemala, Honduras, and Uruguay. In several countries, moreover, military leaders have sought changes in their relations to civilian institutions that would reduce pressure on the military and provide a more stable political balance. For their part, while recognizing their debt to particular military leaders, the new democratic governments have generally sought to strengthen civilian authority over the military institutions.

The results have included a historic low in the frequency of military coups. Legal provisions prohibiting or limiting military participation in politics are more common, as are arrangements increasing civilian participation in matters previously reserved to the military. In Guatemala, new military statutes require an officer to be off active duty for 5 years before running for public office. In Argentina, civilians now occupy key positions in the Ministry of Defense, including those responsible for the defense budget. In Peru, the 1933 constitution gave the military what could be interpreted as independent authority to decide the meaning of the constitution itself; the 1979 constitution eliminated this provision and states explicitly that the armed forces are subordinate to constitutional authority.

Two incidents make clear, however, that military pressures remain a threat to democracy.

Two Democrats Betrayed



José Marti

The poet-essayist José Marti is revered in much of Latin America as Cuba's national hero and the inspirational hero of Cuba's independence from Spain.

Born in Cuba in 1853, Marti was just 16 when he was arrested for treason for writing a letter critical of Spanish colonial rule. He was expelled from Cuba after serving 6 months of a 6-year prison sentence. Marti studied in Spain and worked as an educator, political writer, and journalist in New York, Guatemala, Mexico, Venezuela, and elsewhere in the hemisphere. The cause of Cuban freedom was always his foremost concern.

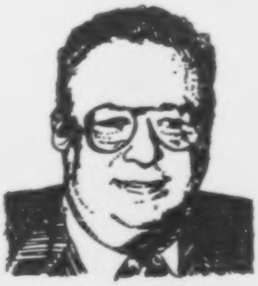
In 1892, Marti led several exile groups in founding the *Partido Revolucionario Cubano*, a Cuban liberation movement. In 1895, the revolutionaries landed their ships in Cuba to wage a war of independence. Barely 1 month later, Marti was shot and killed in a skirmish with Spanish forces. His life and prolific writings made him a natural choice as Cuba's preeminent national hero. By 1953, the centennial of Marti's birth, more than 200 full-length biographies of his life had been written.

Fidel Castro has gone to great lengths to associate himself with the memory of Marti. He began his revolution by quoting extensively from Marti and even imitating his landing by sea in eastern Cuba. Today, Castro includes Marti in the pantheon of heroes—Marx, Lenin, Engels, and Che Guevara—that Cubans are taught to admire.

Castro's use of Marti has to be selective, however. As in the days of Marti, Cuba's political opposition is in exile or in jail, its economy is tied to a foreign empire, and it is governed by a dictator whose powers exceed those of a Spanish viceroy.

Marti opposed personal rule as much as he opposed colonialism, abandoning an 1884 plan to liberate Cuba because he feared some of its leaders were seeking personal gain. His political writings championed democracy as the path to national self-determination and a just social order. Marti advocated both political freedom from Spain and economic independence from the United States, and he believed that democracy—ensured by a free press, an active legislature, and general freedom of expression—would prove Cuba's best guarantee.

The sad truth is that Marti's vision of democracy and national sovereignty is as distant today for most Cubans as it was in 1895.



Pedro Joaquin Chamorro

Jailed five times and exiled twice by the Somozas, Pedro Joaquin Chamorro, editor of the independent daily *La Prensa* and a member of a leading Nicaraguan conservative family, never wavered in his belief in democracy and a free press. From early adulthood on, Chamorro never accepted the thesis that there could be no political opposition in Nicaragua. He played a leading role in two armed attempts to oust the Somozas and fought frequent censorship to use *La Prensa* as a platform to urge democratic reform.

His deep convictions and fearless determination made him a natural leader of the opposition. In 1966–67, Chamorro coordinated the National Union of the Opposition (UNO) against Somoza's presidential candidacy. In 1974, he led the Union of Democratic Liberation (UDEL), a coalition of opposition political groups that included people of the left and the right, in boycotting Somoza's staged elections.

When Somoza accused Chamorro of instigating Sandinista violence by criticizing him in *La Prensa*, Chamorro replied, "The regrettable deaths and injuries. . .are not the fruits of my harvest, but of the violence your regime has institutionalized for many years."

On January 10, 1978, Chamorro was shot to death while riding to work. Spontaneous riots erupted in Managua as news of his murder spread. The killers were never found, but Chamorro's death became the catalyst that united all elements of Nicaraguan society against Somoza. When Somoza fell 18 months later, in July 1979, Chamorro's widow, Violeta Barrios de Chamorro, became a member of the five-person junta at the head of the new government.

The tragedy of Pedro Joaquin Chamorro has not ended. In April 1980, Violeta de Chamorro resigned from the junta. "I realized that the course promised did not correspond to what was being done," she wrote later to the Secretary General of the Organization of American States. "The principles for which we all fought. . .have been betrayed by the party in power, that is, the Sandinist Front of National Liberation."

In June 1986, the Sandinistas closed *La Prensa* indefinitely. In an open letter to Daniel Ortega, Violeta de Chamorro wrote that the "Sandinista party has already created a great concentration camp in Nicaragua. . .by means of repression and the banning of all contradictory opinion."

Nine years after his death, the freedom for which Pedro Joaquin Chamorro fought continues to be denied to his countrymen.

In September 1985, Panama's civilian President Nicolás Ardito Barletta resigned under pressure from the Defense Forces less than halfway into the term for which he had been elected. The presidency was assumed, according to constitutional procedures, by Vice President Eric Arturo Delvalle. This preservation of democratic forms and the continuing openness of Panamanian society kept the event from being an outright reversal of Panama's move toward democracy, but it was a serious setback nonetheless.

In January 1987, the elected civilian President of Ecuador, León Febres Cordero, was kidnaped and held several hours by a group of dissident air force officers. He was released only after freeing a jailed general who had challenged the government and after governments throughout the region had urged both the military and the civilian opposition to put the preservation of democratic institutions above domestic political rivalries.

Preserving democracy requires close civil-military cooperation and good government. As memories of past military abuses and failures fade, the risk of renewed military interventions will increase again in direct proportion to the difficulties democratic governments will have in coping with economic and social problems and in fighting insurgency, terrorism, and the illegal narcotics traffic. Mutual respect is critical. Civilians must recognize military contributions to the national defense and, in many cases, to public administration and development in remote areas. For their part, military leaders must honor the constitutional order and administer their own institutions in a manner that contributes to public confidence in the fairness and effectiveness of civilian democratic government.

Civil-military cooperation becomes absolutely critical when a society faces terrorism, illegal drug trafficking, or guerrilla warfare. An active and in some instances even expanding military role may be required to counter such threats. But defining the nature of the threat and choosing the appropriate response require close cooperation between civilian and military authorities. And then the actual defense of democracy must be carried out without unnecessary or indiscriminate force. Abusers of human rights cannot claim to be acting in the name of democracy.

Increased concern for human rights is apparent in several key countries where military and public security forces had previously been involved in gross violations of human rights. In El Salvador, military personnel now receive human rights training, and the National Police recently inaugurated a comprehensive, professional course in human rights that is mandatory for all personnel. In the past 2 years, human rights violations have been reduced to a fraction of their previous levels. Similar improvements in human rights performance have been registered in Argentina, Brazil, and Guatemala, where the military and civilian leadership is committed to respect human rights.

In Argentina, high-ranking military officers accused of committing severe human rights abuses during the military regime from 1976 to 1983 have been tried in civilian courts. Nine members of the ruling juntas were tried together for rights violations; five of the nine were convicted, with two receiving life sentences. In 1986, Ramón Camps, an army general in charge of the civilian police during military rule, was sentenced to 25 years in prison for human rights violations. In all, several hundred military personnel were expected to have been indicted before the statute of limitations for indictments for these crimes expired on February 22, 1987, a date established in an effort to ensure continued civil-military cooperation.

Looked at in historic perspective, the current shift to democratic rule appears to offer a genuine opportunity to break the cycle of alternation between civilian governments that lack the authority to govern and military governments that lack the legitimacy to last. Setbacks are inevitable, but the general prognosis is improving.

Economic Difficulties

The phenomenal economic gains of the 1960s and 1970s have been partially eroded in the 1980s by macroeconomic policies that fail to cope with falling commodity prices, global recession, and foreign debt that approaches $400 billion for the region. Only Brazil has been able to maintain consistently high growth rates since 1983. Although oil prices and interest rates have fallen since their peaks in 1981, the prices of most of the hemisphere's commodities have remained depressed. The oil-producing countries in the region—Ecuador, Mexico, Peru, Trinidad and Tobago, and Venezuela—were hit especially hard by the collapse of petroleum prices in 1986. In many countries, the old statist, protectionist policies that inhibit investment, reduce business initiative, and stimulate capital flight are changing only slowly.

A rising tide of protectionism in the developed countries—essential export markets for Latin America and the Caribbean—also threatens growth. In recent years, the United States has substantially outperformed all other industrialized countries in expanding the purchase of Latin American and Caribbean goods. At the same time, however, U.S. exports to the region contracted sharply, creating a more favorable trade balance for Latin America but also adding fresh pressures to open the hemisphere's markets to U.S. products.

Most of the Latin American and Caribbean countries that have achieved modest growth during the 1980s still find that the economic gains do not offset higher population growth. The pressures of immediate human needs increase the difficulties of allocating scarce resources to important longer term institutional development.

The United States and the other members of the Organization for Economic Cooperation and Development (OECD) realize the importance of coordinating their economic policies to promote free trade and economic stabilization so as to facilitate continued democratic progress. The OECD countries also recognize that nations committed to democratic government and policies fostering economic growth should receive priority for foreign assistance. The International Monetary Fund (IMF), the World Bank, and the Inter-American Development Bank are all creating incentives for policy reforms that promote economic freedom, less state interference, and higher economic growth.

Greater participation by Western Hemisphere nations in the General Agreement on Tariffs and Trade (GATT) should help stave off protectionist demands by broadening the opportunities for redress of trade grievances. In 1986, Mexico joined the GATT, and Costa Rica applied for membership. Twenty Latin American and Caribbean countries are now members of GATT and are participating in the new multinational trade round agreed to at the Uruguay talks in September 1986.

The consolidation of democratic governments throughout Latin America and the Caribbean offers the promise of a stable political environment for restored economic health. Many Latin American governments are encouraging private entrepreneurship and reducing restrictions on foreign investment in order to stimulate growth. As economies become more market-oriented and generate higher levels of savings, investment, and production and lower levels of inflation, living standards will improve provided population growth is restrained. Such positive developments would lead to greater confidence in the political system that inspired them. Democracy, however, also provides an environment in which unpopular measures can be challenged and even disrupted. Should growth not resume, and should the critics of current economic policies prevail in coming elections, governmental intervention in the economy and confrontation with creditors could increase.

Illegal Narcotics Trade

The growing illegal narcotics trade, spurred by the tremendous demand for drugs in the United States, has become a major regional problem. In some situations, narcotics traffickers have aligned themselves with guerrillas and terrorists, buying protection that undermines elected civilian government. Addiction among youth and government corruption are major problems. No nation in the Western Hemisphere is untouched by the production, use, or trafficking of illegal drugs.

The increase in narcotics-related activities—from crop production to processing to transshipment to bank laundering of profits—is caused in part by severe economic problems. Faced with limited opportunities at home and a large market for narcotics in the United States, many people have turned to the drug trade out of economic necessity. In Bolivia, for example, it is estimated that approximately 350,000 people, or 5% of the population, depend directly on coca production for their livelihood. The 61% growth rate in Bolivia's agricultural sector between 1980 and 1986 was due almost entirely to increases in coca production.

Institutional Weaknesses

The civilian institutions critical to democracy's proper functioning are often fragile, inefficient, or unevenly developed. Judicial systems generally suffer from inadequate financial, institutional, managerial, and human resources. For decades, the press and media have been strongly influenced by authoritarian regimes or traditional elites; journalists typically suffered from low pay and poor training. The resulting mixture of servility and resentment hampers objectivity and professionalism. The difficulties faced by political parties in developing national organizational structures and effective leadership are compounded by the disruptions and losses suffered in past repressions. Electoral laws and procedures have been subject to frequent changes, and there is a lack of trained electoral administrators. Finally, but far from least in importance, the pervasiveness of hierarchical structures with deep historic and cultural roots have created ingrained authoritarian habits even among individuals and parties with democratic intentions.

Many of these weaknesses can be overcome if the current democratic momentum continues and if those Latin Americans interested in overcoming them are able to obtain cooperation from groups with similar interests. Fortunately, linkages between political parties in Latin America and the Caribbean and international political movements are stronger than ever before. So are direct party-to-party ties. Many European political party foundations are active throughout the hemisphere. Parliamentary exchanges between legislators in the hemisphere and their counterparts in other countries are a growing source of solidarity, as are similar programs involving democratic trade unions.

Political Extremism and Totalitarianism

Latin America's authoritarian tradition and the lack of a democratic consensus have promoted factionalism, intransigence, and fear of instability. On both the far left and the far right, political movements have relied on force to attain objectives.

Dictatorships of the right—typically closely linked to the military—have historically been the nemesis of Latin American democrats. While in most cases not establishing totalitarian controls over all aspects of life, dictatorships like those of Gen. Fulgencio Batista in Cuba and Gen. Anastasio Somoza in Nicaragua have carried out some of the cruelest abuses of human rights in the postwar period. Moreover, by cloaking abuse in democratic forms such as plebiscites, artificial opposition parties, and rigged elections, such dictatorships debase democratic ideas and procedures and discredit genuine democrats.

> ***"There can be no peace, even if [the Sandinistas] throw all their artillery and their helicopter gunships into Lake Managua, if there is no democratic opening in Nicaragua."***
>
> **Honduran President**
> **José Azcona,**
> **May 21, 1986**

Authoritarianism of the far right has thus been a major factor contributing to a new and growing threat to democracy in Latin America: the threat of communist totalitarianism.

The totalitarian threat takes several forms. The most obvious is the actual consolidation of totalitarianism in power as occurred in Cuba and is happening in Nicaragua. Like traditional dictatorships, totalitarian governments are highly authoritarian. A key difference is that they also are systematically hostile to all activities independent of state control. By stifling individual enterprise and driving professionals and entrepreneurs into exile, these new "revolutionary vanguards" have aggravated their countries' social and economic underdevelopment as well as denied the political and cultural rights of their citizens.

A second threat is subversion. Acting both directly and through Cuba and, more recently, Nicaragua, the Soviet Union has provided support—ranging from propaganda to training and weaponry—to guerrilla forces and other terrorist groups in Latin America and the Caribbean. In El Salvador, such assistance helped turn what had, in the 1970s, been poorly armed and mutually antagonistic bands of kidnapers and bank robbers into what by the early 1980s had become a centrally commanded and well-armed guerrilla army with secure communications.

A third threat is that the totalitarian offensive will stimulate a new reaction from the far right. Guerrilla warfare and other forms of subversion have antidemocratic consequences even when their perpetrators do not succeed in seizing power. In Central America, the guerrillas have been stopped by improved government performance, the outstanding leadership of democrats like Presidents José Napoleón Duarte of El Salvador and Vinicio Cerezo of Guatemala, and U.S. support for democracy, but persistent subversion from Nicaragua could still endanger this progress by stimulating an ugly resurgence of right-wing extremism. In Chile, the authorities succeeded in discovering—before they could be used—large caches of arms secretly smuggled in by the Soviet bloc, but the evident threat of armed insurrection that the arms represented created new problems for moderates working for a democratic transition to replace the military regime of General Pinochet.

The United States

A NEW CONSENSUS?

For more than three decades, it was an axiom of American foreign policy that politics stopped at the water's edge. The axiom reached its height during World War II when the Democratic and Republican Parties united to defeat fascism and militarism. Following the war, both parties supported containment of the new threat: Soviet expansionism. Unfortunately, that bipartisan consensus, which had been the hallmark of the postwar period, began to break down over the war in Southeast Asia.

For awhile, it appeared that a new consensus might coalesce around consideration for human rights. But the concept of "human rights" suffered the fate of many fresh ideas and was viewed with a suspicion that produced heated controversy. There were contradictions between the policy's stated goals and its actual implementation. It proved to be an incomplete moral basis for policy because, strictly applied, it treated the problem of political repression without regard to the structure of government that permits or prevents abuses. In addition, the soundness of the human rights policy in national security terms was called into question as it became identified—rightly or wrongly—with two traumatic foreign policy events: the fall of the Shah of Iran and of the Somoza dynasty in Nicaragua. Both had been viewed as staunch U.S. allies in areas of geostrategic importance and both were replaced by governments inimical to U.S. interests, to democratic ideals, and to fundamental human rights.

The idea that U.S. foreign policy should embody America's values was fundamentally sound. The basis for a consensus did exist. It ultimately found expression in a value that the American people—that, indeed, all people—could rally around; a value more constructive than the concept of containment, on which the original postwar consensus had been built, and more comprehensive than that of human rights, on which the new consensus had initially foundered; a value, moreover, that clearly defined the conflict between a democratic United States and a totalitarian Soviet Union. Support for democracy, the very essence of American society, is becoming the new organizing principle for American foreign policy.

Support for democracy advances U.S. interests in several important ways.

Democracy helps to guarantee U.S. security. Democratic governments, because they must be responsive to their people, tend to be good neighbors. Open and regular political competition lessens political polarization and extreme swings of the pendulum (as happened in Chile, Cuba, and Nicaragua) and makes nations more resistant to subversion. Democratic governments are more reliable as signatories to agreements and treaties because their actions are subject to public scrutiny.

Democracy also advances important U.S. political and economic interests. Democratic countries are more likely to protect human rights and create environments in which people can work to achieve their full potential. Democratic processes are good for business and labor. Once established, political and economic freedoms provide a predictable and equitable basis for economic development.

Democracy helps the United States organize itself to cooperate and get things done internationally. As a people, Americans are more comfortable dealing with democratic governments than with authoritarian regimes. Our common interests are better understood. A foreign policy that supports democracy is capable of garnering broad, enduring public and congressional support. It is much easier for the United States, as a democratic society, to work with civilians like Presidents Alfonsin and Duarte than with the generals who preceded them.

Support for democracy not only embodies American values; it reconciles the conflict that often arises between U.S. strategic interests and the need to give moral substance to whatever policy serves those interests. As a commitment with bipartisan support, it provides the basis for a consistency and continuity in American foreign policy that have long been seen as lacking. Finally, support for

The Case of Bolivia

Bolivia in 1967 became the end of the line for Che Guevara and his band of Cuban guerrillas. But with 175 or more changes in government in 162 years of independence, Bolivia has long been Latin America's most unstable country. Already among the poorest countries in the world, with an annual per capita income of less than $500, Bolivia must now overcome the decline of the tin mining industry that has been its most important source of nonagricultural employment. Finally, Bolivia has recently become a major production and staging center for global trafficking in cocaine.

Despite these extraordinary obstacles, Bolivia has in recent years made significant progress toward democracy. Calls for political liberalization led to Gen. Hugo Bánzer's resignation in 1978 and ushered in a series of short-lived military and civilian regimes. In presidential elections in 1980, former President Hernán Siles (1956–60) won a popular plurality, but General Luis García-Meza, using Siles' failure to win a majority of the popular vote as a pretext, seized power in August 1980 with the support of Bolivian narcotics traffickers.

Secretary of State Edmund Muskie denounced the García-Meza coup, and the Carter Administration downgraded diplomatic relations, suspended nonhumanitarian aid and military assistance, and closed the U.S. military mission in Bolivia. Despite pressure to normalize ties with Bolivia, the Reagan Administration continued to deny U.S. support to García-Meza. On October 10, 1982, new military leaders allowed Siles to assume the presidency. The Siles government received considerable economic assistance and moral support from the United States. Because his government was weakened by a lack of cooperation among coalition members, a faltering economy, and increasingly violent labor disruptions, Siles cut his term short by 1 year and called a presidential election in 1985.

Thirty parties and eighteen presidential candidates participated in the 1985 election. The final electoral count gave 28.5% of the vote to retired army general and former dictator (1971–78) Hugo Bánzer. Ex-president (1952–56, 1960–64) Victor Paz Estenssoro, patriarch of the 1952 revolution, had the second highest tally, 26.4%. Because neither candidate won a majority, selection of the president fell to the legislature, which voted 94 to 51 for Paz despite his having placed second to Bánzer in the popular vote. Bánzer accepted the legality of the outcome, and he and his party have actively cooperated with the Paz government on vital policy issues such as economic reform and narcotics control.

democracy enables U.S. foreign policy to match (and exceed) what has been identified as perhaps the strongest element of Soviet foreign policy: an enduring sense of direction.

These new perceptions have particular significance for U.S. policy in Latin America and the Caribbean, where many believe that the United States has sacrificed democratic principles and even encouraged repressive military regimes in the pursuit of containment and stability at any price. This critical view ignores the role that U.S. assistance programs and support for free trade, to take just two examples, have played in the fundamental socioeconomic transformations that have contributed to the democratic transition. Nevertheless, cynicism about U.S. purposes has broad acceptance and contributes to the ambivalence that many people in Latin America and the Caribbean express about relations with the United States. Now that U.S. policy embodies democratic values in an explicit, concrete, and continuing manner, the impact on public opinion will, over time, prove quite substantial.

SUPPORT FOR DEMOCRACY: PROVEN TOOLS

The United States cannot support democratization in Latin America unless it supports the efforts of Latin Americans. Democracy depends on complex interactions that come in many forms; it is not an export commodity. This section considers U.S. efforts to make more effective use of the proven tools of statecraft to support the movement toward democracy in the hemisphere; the following section describes efforts to create new tools to bolster democratic institutions and development.

Diplomacy

Two principal goals of U.S. diplomacy in Latin America and the Caribbean are to strengthen democratic government and to promote peaceful resolution of the conflicts and tensions that threaten its consolidation. Diplomatic activity to advance these goals takes a variety of forms in many different arenas.

The President and the Secretary of State, along with other key foreign policy leaders, enunciate U.S. goals in major foreign policy speeches, in bilateral meetings with their counterparts in the region, and in consultations with our allies. Their visits to the region, and invitations extended to the democratic leaders of Latin America and the Caribbean to come to the United States, are consciously used to demonstrate U.S. support for democratic rule and repudiation of both civilian and military authoritarian regimes.

The President himself announced the Caribbean Basin Initiative (CBI) in February 1982 in a speech before the Organization of American States. His message linked the future of democracy in that part of the hemisphere to economic development and pledged major U.S. support for those dual goals. On this and other occasions, President Reagan has stressed that the United States will not remain indifferent "when democratic values are at risk."

Support for democracy also has been the recurrent and consistent theme in speeches by the Secretary of State and the Assistant Secretary for Inter-American Affairs. At the OAS General Assembly, in testimony before committees of Congress, and in statements in numerous public fora during the past 5 years, U.S. leaders have reaffirmed Jefferson's maxim that "the will of the people is the only legitimate foundation of any government."

Support for democratic institutions was a main theme of President Reagan's visit to Central and South America in December 1982. Accompanied by Secretary of State George Shultz, the President visited two traditional democratic allies (Costa Rica and Colombia) and Brazil, where congressional elections had just marked a major step in the democratic transition. In February 1986, the President met with the prime ministers of several independent English-speaking Caribbean nations in Grenada in a demonstration of democratic solidarity.

Visits by the Vice President, the Secretary of State, and other senior officials are employed to reinforce our commitment to democratic civilian rule. The inaugurations of democratically elected leaders (among them the Presidents of Argentina, Brazil, Colombia, the Dominican Republic, El Salvador, Guatemala, Honduras, Uruguay, and Venezuela) have become key occasions for mutual support and consultations among democratic forces. The inauguration of President Raúl Alfonsín in December 1983 (at which Vice President George Bush represented the United States) became a powerful and emotional celebration in which representatives of Spain, Portugal, Peru, and Ecuador—all countries that had moved into the democratic ranks during the previous decade—demonstrated their solidarity with the newest member of the international democratic community.

The state visit to Washington of President Alfonsín in 1985 was the first by an Argentine head of state since 1958. The official visit by President Vinicio Cerezo in May 1987 will be the first ever by a Guatemalan president. During 1986 alone, the civilian Presidents of Brazil, Uruguay, Costa Rica, Honduras, and Mexico made state or official working visits to the United States. President Reagan also met at the White House with Gen. Henri Namphy, head of Haiti's National Governing Council, as a signal of support for the democratic transition there and for the

> *"The objective I propose is quite simple to state: to foster the infrastructure of democracy—the system of a free press, unions, political parties, universities—which allows a people to choose their own way, to develop their own culture, to reconcile their own differences through peaceful means."*
>
> **President Ronald Reagan,**
> **Address before the British Parliament,**
> **London, England, June 8, 1982**

electoral timetable drawn up by his provisional government. In addition, the President has met with several of his Latin American and Caribbean counterparts while they were in the United States on private visits.

Progress toward democracy is a major topic of discussion with our European allies. In consultations such as the semiannual NATO experts' meetings on Latin America and the Caribbean, U.S. officials regularly exchange views with allied officials on the status of democratic government and the measures being taken to support its continuance. Consultations within the framework of the OECD provide an opportunity to win support for policies that promote growth and development for our neighbors in the Western Hemisphere, thereby strengthening the economic underpinnings of democracy. In fora such as these, as well as in bilateral consultations with our allies, the United States has urged sending international observers to encourage electoral freedom and to recognize it publicly when it takes place.

Through the efforts of the President's Special Envoy for Central America, who is charged with promoting negotiations to resolve the conflict there, the United States supports regional negotiations, giving special emphasis to the need for comprehensive, simultaneous, and verifiable implementation of the security and democratic goals set forth in the 1983 Contadora Document of Objectives. Three distinguished Americans have served as Special Envoy: Richard Stone, former U.S. Senator (D–Florida); Harry W. Shlaudeman, former Assistant Secretary of State and now U.S. Ambassador to Brazil; and Philip C. Habib, former Under Secretary of State and Special Middle East Envoy, the current Special Envoy.

Military Assistance

Military assistance for Latin America and the Caribbean consists of funds provided under the Military Assistance Program (MAP) and the International Military Education and Training (IMET) program. In fiscal year (FY) 1986, military assistance for the region totaled approximately $234 million, or about 4% of all U.S. military assistance worldwide. (The 1986 figures included a small amount of credit assistance under the Foreign Military Sales (FMS) program. FMS credits to the region have been discontinued in favor of MAP grants.)

The Power of Public Opinion

Of the 33 independent nations of Latin America and the Caribbean, only three—Cuba, Nicaragua, and Paraguay—prohibit independent public opinion polls. In the rest of the region, political parties, individual scholars, and dozens of polling firms are continually using internationally recognized survey methods to measure citizen concerns.

Political polling, from in-depth questions about citizen concerns to polls on candidate popularity and opinions on foreign affairs, is the specialty of several dozen respected public opinion firms, including Gallup affiliates, from Mexico to Argentina. *UNIVISION*–Spanish International Network, the largest Spanish-language television system in the United States, has conducted extensive voter exit polls in several countries, including El Salvador, developing a record of predicting election returns with enviable accuracy.

Approximately 82% of U.S. military assistance for the region in FY 1986 went to El Salvador, Honduras, Guatemala, and Colombia—four regional democracies battling insurgencies. Nowhere is this assistance more important than in Central America, where the Sandinista regime in Nicaragua supports guerrilla movements in El Salvador, Guatemala, and Honduras and provides military training to a nascent insurgent movement in Costa Rica. Another 9% went to support the development of basic surveillance, search and rescue, and self-defense capabilities in the Caribbean democracies. Our military assistance also supports hemisphere-wide efforts to halt the production and trafficking of narcotics.

Under the initial FY 1987 allocations, military assistance to the region has been cut by about 7%, thus limiting our ability to support our neighbors in combating both guerrilla insurgencies and illegal narcotics trafficking.

In October 1986, Congress approved $100 million to support the Nicaraguan democratic resistance in its struggle to recover the promise of democracy stolen from the Nicaraguan people by the Sandinistas.

Economic Assistance

U.S. bilateral economic assistance totaled slightly more than $1.5 billion in FY 1986. It is administered by the Agency for International Development (AID) and consists of developmental assistance, Economic Support Fund (ESF) assistance, and PL 480 food aid to Latin America and the Caribbean.

Developmental assistance accounted for almost 30% of total U.S. bilateral economic assistance to the region. Those funds are used primarily to improve educational and health systems, to support improvements in infrastructure, to build democratic institutions, and to bolster the private sector as the principal engine of growth.

The Economic Support Fund, which is used almost entirely for budget support, comprised about 42% of U.S. bilateral economic assistance to Latin America and the Caribbean in FY 1986. Almost 30% of U.S. bilateral economic assistance for the region in FY 1986 consisted of ESF for the countries of Central America.

In FY 1987, reduced global foreign assistance appropriations required that U.S. bilateral assistance to Latin America and the Caribbean be cut by nearly 20% to approximately $1.2 billion. These cuts come at a critical time when many of the countries are instituting difficult economic reforms, attempting to consolidate democratic civilian government, and battling leftist insurgents.

The United States provides additional economic assistance to the nations of Latin America and the Caribbean through contributions to multilateral institutions such as the the World Bank, the Inter-American Development Bank, the Central American Bank for Economic Integration, and the Caribbean Development Bank. In 1985, U.S. contributions to multilateral development banks for Latin American programs were approximately $2 billion. Programs administered by these institutions provide additional sources of funding, generally on concessionary terms, for development projects in the region. U.S. contributions to these institutions also face cuts in FY 1987.

Economic Stabilization

The United States has a fundamental interest in the prosperity of the countries of the Western Hemisphere. Our strategy for dealing with economic problems, including the debt crisis, has been coordinated with other industrial countries. Applied on a case-by-case basis, the strategy emphasizes the need for economic adjustment in the debtor countries with the support of the international financial institutions, especially the International Monetary Fund and the World Bank.

At the 1985 annual meeting of the IMF and World Bank in Seoul, Korea, U.S. Treasury Secretary James Baker proposed an initiative that builds on and strengthens the previous strategy. The plan he put forth contains three essential and mutually reinforcing elements:

- **First,** adoption of economic policy reforms to promote growth in the debtor countries;
- **Second,** a continuing central role for the IMF coupled with an increase in structural adjustment loans by the World Bank to support these reforms; and
- **Third,** when the first and second elements are in place, new lending by the commercial banks to provide additional support for the reforms and for long-term growth.

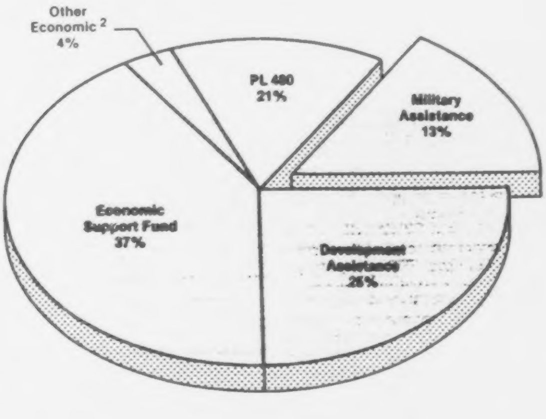
The heart of the new strategy is increased emphasis on growth to reduce debt and raise living standards. This approach has received strong support internationally and was recently affirmed by the IMF Interim Committee and the IMF/World Bank Development Committee at their meetings in September 1986.

The renewed emphasis on growth requires reduced reliance on statism, market intervention, and import substitution. The response thus far has been encouraging. Most Latin American and Caribbean countries have established more realistic exchange rates, expanded exports, and cut inflation. Several countries have begun to reduce entrenched structural barriers to growth; specifically, to take steps to reduce price controls and subsidies, to liberalize trade, to attack overregulation and excessive bureaucratic controls, and to improve the investment climate, including reducing restrictions on private foreign investment. Until these reforms produce practical results for a majority of citizens, however, the democratic leaders of Latin America and the Caribbean would benefit greatly from a demonstration that the developed countries (and especially the United States) are prepared to ease the burdens imposed by existing debts.

U.S. efforts to reduce domestic inflation have lowered international interest rates, thus reducing the debt-servicing burden on all the Latin American debtors. Similarly, our battle against protectionism and our own continuing economic growth in the last 4 years have helped countries in the region by enabling them to increase their exports. U.S. imports from Latin America and the Caribbean—mostly manufactured products—rose by nearly 7% per year during the 1980s, a rate well in excess of annual growth in gross domestic product. At the same time, the region reduced imports from the United States. Thus, a $3-billion U.S. trade surplus with Latin America and the Caribbean in 1981 had become a $17-billion deficit by 1985.

The Caribbean Basin Initiative is an attempt by the United States to engage the nations of the Caribbean and Central America in the development of new opportunities for trade, investment, employment, and broad-based growth in the region. The program was designed with a 12-year lifespan representing a long-term U.S. political commitment with incentives beyond immediate trade objectives. Countries with the policy framework to promote private investment and innovation will be most able to seize trade opportunities. The CBI has not yet generated the substantial economic growth that was originally envisioned. Thus the United States has added several other benefits and continues to seek additional measures for promoting economic growth.

U.S. Bilateral Assistance to Latin America and the Caribbean, FY 1986[1]



[1] Bilateral assistance amounted to $1.8 billion. This does not include U.S. contributions to the World Bank, the International Monetary Fund, the Interamerican Development Bank, and the Caribbean Development Bank expended in Latin America and the Caribbean.

[2] "Other Economic" includes funds for programs of USIA, Peace Corps, and the State Department (e.g., refugees, narcotics).

Peace Corps

The Peace Corps has been one of the most successful U.S. foreign policy initiatives of the postwar period. Almost 1,700 Peace Corps volunteers are currently serving in 18 countries in Latin America and the Caribbean. Throughout the region, Peace Corps volunteers continue traditional programs such as teacher training, nutrition, and health care. In recent years, however, programs have focused increasingly on support for the private sector with training and technical assistance in management and marketing to small businesses and entrepreneurs. New projects include activities that range from the development of income-generating student cooperatives modeled on the "Junior Achievement" program to technical assistance in crop diversification to small farmers.

Educational Exchange

In the past 5 years, the United States Information Agency (USIA) has expanded various international visitor programs. Exchange visitor grants fund travel to the United States for outstanding regional leaders in fields as diverse as journalism, arts and sciences, politics, government administration, and education. Through the Fulbright Program, American scholars have the opportunity to teach, study, and conduct research abroad while their foreign counterparts are given similar opportunities in this country. In addition, USIA administers the new pilot Central American Program for Undergraduate Scholarships (CAMPUS). The new Central American Peace Scholarship (CAPS) program, using AID resources, will eventually bring a total of 7,000 students from lower and middle class backgrounds to the United States. Other USIA programs support student exchanges at the secondary school level, help set up special programs for voluntary visitors to the United States, and arrange for U.S. travelers to the region to meet with counterparts in their respective fields.

Bipartisan Commission Stimulates Support for Democracy in Central America

In July 1983, President Reagan appointed a National Bipartisan Commission on Central America to advise on a long-term U.S. policy that would best respond to the challenges of social, economic, and democratic development in the region and to internal and external threats to its security and stability. The Commission, headed by former Secretary of State Henry A. Kissinger, reported to the President on January 10, 1984, that the fundamental strategic and moral interests of the United States require a long-term national commitment to economic opportunity, human development, democracy, and security in Central America.

The President and Congress approved the recommendations of the Commission virtually unchanged, setting in motion a comprehensive strategy of economic and military assistance to address the root causes of poverty and social unrest, to foster equitable development, and to support democratization to help the region move beyond its history of dictatorships and instability. The strategy is to:

- Support democratic processes and institutions by backing free and competitive elections, the administration of justice, technical training, and the development of leadership skills;
- Stop declines in income, employment, and economic activity by providing major balance-of-payments support;
- Build the foundation for long-term economic growth by supporting improvements in economic policy and the infrastructure needed for efficient production and diversified exports;
- Assure the widest possible distribution of the opportunities and benefits of growth by helping to create jobs and improve health, education, and housing for the poor; and
- Help secure peaceful evolution in support of these objectives by providing military assistance to create a shield to protect democratization and growth from Soviet-backed subversion.

Complementing these development and security policies, U.S. diplomacy supports negotiations both within and among the countries of Central America to bring about the reconciliation needed to achieve socioeconomic progress, national security, and lasting peace.

This bipartisan approach, whose foundations are the promotion and defense of democracy, has proved critical to the progress achieved since 1984 in every country of Central America except Nicaragua. And the Commission noted that "the development of an open political system in Nicaragua, with a free press and an active opposition" would be a key to progress there as well.

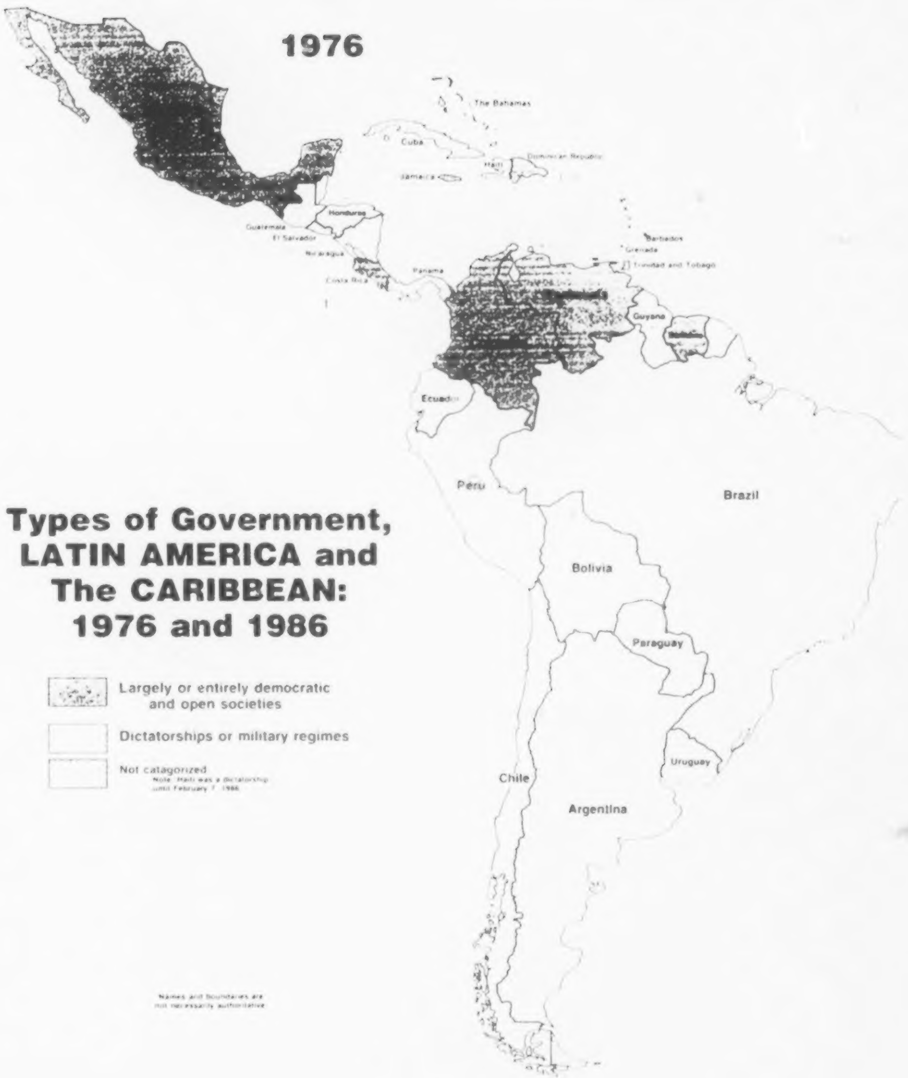
Support for Private Sector Organizations

The U.S. Government lends its help to appropriate private initiatives that support democratic development. Long-term AID support for the programs of the "Partners of the Americas" helps develop linkages between U.S. civic and community organizations, youth groups, service organizations such as the Lions and Rotary Clubs, and business groups and their counterparts in the hemisphere. These people-to-people programs promote mutual understanding and cooperation and contribute to institutional development.

In 1986, AID funded and the Department of State assisted with the organization of a regional conference for Latin America and the Caribbean sponsored by the International Committee for a Community of Democracies (ICCD). The ICCD promotes worldwide democratic solidarity as a means of sustaining, promoting, and defending democratic practices in more than 50 democratic countries around the globe.

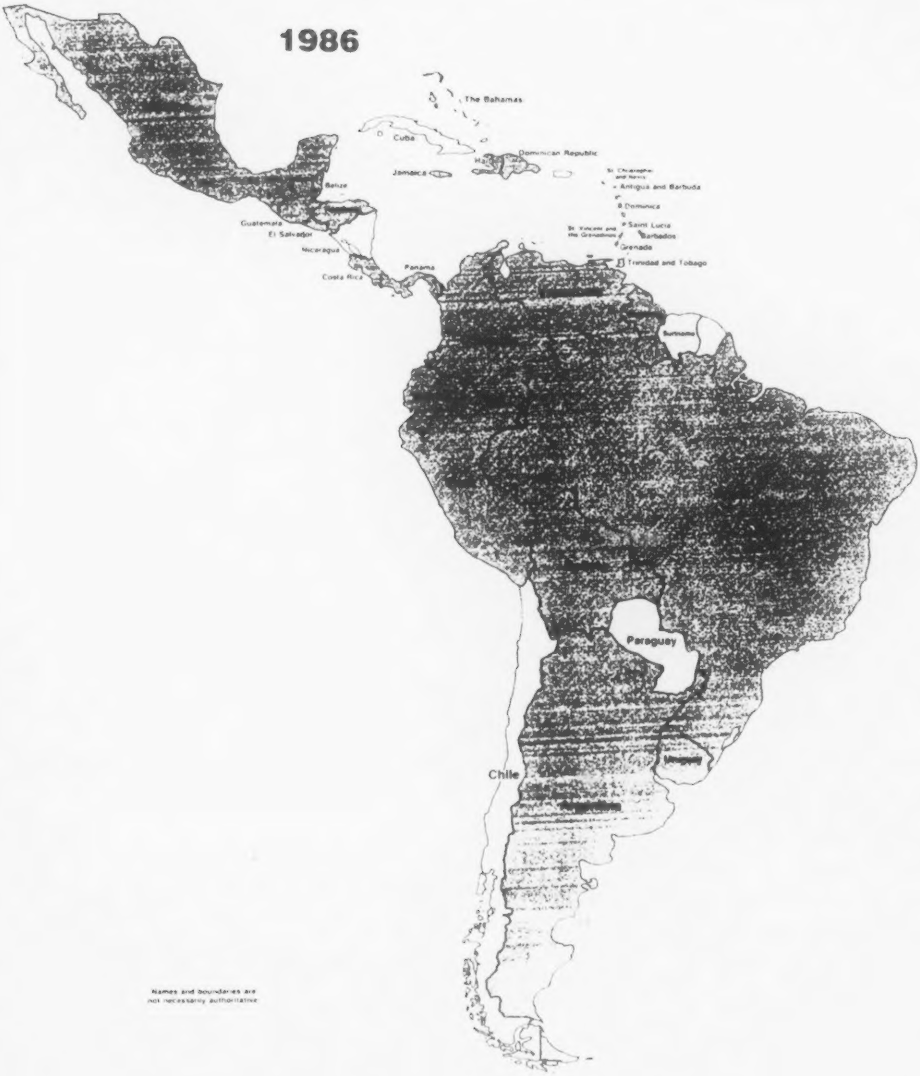
Liaison With Trade Unions

U.S. diplomatic missions in Latin America and the Caribbean traditionally have maintained active liaison with trade unions and labor leaders because of their central role in national politics throughout the region. U.S. Government funds also support various activities of the AFL-CIO, including a major training program for union organizers at the George Meany Center in suburban Washington, D.C.



Types of Government, LATIN AMERICA and The CARIBBEAN: 1976 and 1986

1976
The Bahamas
Cuba
Dominican Republic
Haiti
Jamaica
Honduras
Guatemala
El Salvador
Nicaragua
Costa Rica
Panama
Barbados
Grenada
Trinidad and Tobago
Guyana
Ecuador
Peru
Brazil
Bolivia
Paraguay
Chile
Argentina
Uruguay
Largely or entirely democratic and open societies
Dictatorships or military regimes
Not catagorized
Note: Haiti was a dictatorship until February 7, 1986
Names and boundaries are not necessarily authoritative


1986
The Bahamas
Cuba
Dominican Republic
Haiti
Jamaica
St. Christopher and Nevis
Antigua and Barbuda
Dominica
Saint Lucia
St. Vincent and the Grenadines
Barbados
Grenada
Trinidad and Tobago
Belize
Guatemala
El Salvador
Nicaragua
Costa Rica
Panama
Suriname
Paraguay
Chile

Names and boundaries are not necessarily authoritative

SUPPORT FOR DEMOCRACY: RECENT INITIATIVES

The National Endowment for Democracy

The National Endowment for Democracy was established by Congress in 1983 in the belief that private institutions in free societies can contribute to the development of democracy through assistance to counterparts abroad. Four constituent institutes—the AFL-CIO's Free Trade Union Institute, the Center for International Private Enterprise of the U.S. Chamber of Commerce, and the National Democratic Institute for International Affairs and National Republican Institute for International Affairs representing the two major American political parties—administer a broad range of projects in the region that emphasize leadership training, civic education, expanding and strengthening the linkages among U.S. and regional political parties, development of electoral machinery, support for democratic workers' federations, and promotion of private enterprise. Although most of the Endowment's funds are provided by congressional appropriation, it is an independent, nonpartisan organization. In fact, the National Endowment for Democracy is probably the most concrete example of the growing bipartisan consensus in foreign policy based on support for democracy as its guiding principle.

Administration of Justice

The development of independent, accessible, and fair justice systems is a crucial part of the consolidation of democracy in Latin America and the Caribbean. The U.S. Government recognizes this important fact and, in the past several years, has developed an innovative program to assist democratic Latin American and Caribbean governments in their efforts to carry out fundamental judicial reforms. Collaborative efforts involve the Departments of State and Justice, USIA, and AID. The U.S. program first focused on Central America and is now expanding to the Caribbean and South America. Under the program, the United States has given support for a variety of practical judicial reform measures including training for judges, prosecutors, and other legal personnel; improving court administration; reproducing and disseminating basic legal materials; training for criminal investigators; modernization of law codes; strengthening of case reporting systems; and support for local bar associations. In addition, U.S. officials are facilitating the establishment of cooperative links between relevant private U.S. organizations—such as law schools, bar associations, and law institutes—and their counterparts in Latin America and the Caribbean. Grants to support these activities have been made to the UN-affiliated Latin American Institute for the Prevention of Crime and Treatment of Offenders (ILANUD), the University of the West Indies, the Inter-American Bar Association and Foundation, and private and governmental agencies in individual countries.

Electoral Institutions

The consolidation of democratic government in Latin America and the Caribbean depends in large measure on increased public confidence in the electoral process and the institutional capacity to administer it. U.S. assistance seeks to build this capacity in national institutions through technical assistance, training, and material resources to help establish sound laws and procedures, administer elections, carry out measures to prevent fraud, and educate citizens about the voting process. In El Salvador in 1982, 1984, and 1985, and in Guatemala and Honduras in 1985, U.S. assistance for the electoral process—including provision of special ballot paper and ink and aid to computerize voter registration rolls—supported the democratic transition. AID funds have also been used to finance training of poll monitors in Guatemala and to support teams of international electoral observers for elections in Honduras and El Salvador.

In addition to assistance to individual countries, AID provides support to technical assistance, training, and research programs of the Inter-American Center for Electoral Assistance and Promotion (CAPEL), a division of the Inter-American Institute of Human Rights, located in San José, Costa Rica. The creation of CAPEL was a Latin American initiative, stemming from a meeting of foreign ministers in October 1982. Its services and resources are available to public and private institutions and individuals throughout the region.

Since 1984, increased funding has allowed CAPEL to expand its programs rapidly. The center has developed a roster of electoral experts from the Americas and Europe who can provide technical advice and participate in training courses, research projects, and observer missions. CAPEL has responded to requests for technical advice from Bolivia and Honduras on improving and computerizing voter registries; from Guatemala on drafting a new electoral law; and from Ecuador on improving the vote counting system. The center has conducted training courses on electoral legislation in Guatemala, Costa

Rica, and Honduras, cosponsored by each country's electoral court, the bar association, and local universities. A private organization in Haiti invited CAPEL to collaborate in a seminar on the electoral process and in a proposed nationwide voter education project to promote full participation in the elections scheduled for 1987.

CAPEL's growing data center collects and disseminates materials on electoral legislation, rights, and processes, and maintains permanent records of election results for all the countries in the region. The Department of State is aiding development of an electoral data base through a project with the Institute of Interamerican Studies at the University of Miami that is being coordinated with CAPEL. The data base will be available to students, journalists, and scholars from throughout the hemisphere as well as government analysts.

By collaborating with national organizations, CAPEL is building a valuable network of individuals and institutions committed to promoting well-administered, free, and competitive elections. In 1985, CAPEL helped stimulate creation of the Association of Electoral Organisms of Central America and the Caribbean, an organization designed to foster international cooperation to promote representative democracy. As its interim secretariat, CAPEL helped organize and fund the association's first annual meeting in San Salvador in December 1986 to which both Haiti and the Philippines sent official observers.

Strengthening Legislative Capacity

AID funds are used to support activities designed to promote and facilitate continuing interchange among parliamentarians in Latin America and the Caribbean, North America, and Western Europe, as well as to build the institutional capacity of regional legislative bodies.

In 1982, AID funded a training seminar for newly elected legislators initiated by the Congress of the Dominican Republic and a local university. Interest generated by the seminar led to the design of a long-range program of support services to enhance the policymaking and administrative skills of legislators. Drawing on this model and with technical assistance from participants in the Dominican program, the legislatures of El Salvador, Guatemala, and Honduras are undertaking similar programs funded by AID to strengthen information management and analysis and administrative support.

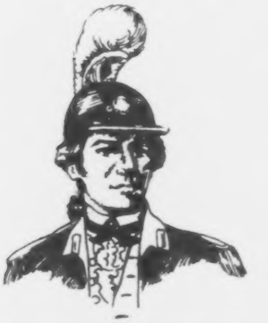
Antinarcotics Assistance

The United States is cooperating with governments throughout the hemisphere to end production of and trafficking in narcotics. In Mexico, Jamaica, and Colombia, we are working together to eradicate drug crops. Our most dramatic efforts to date have been in Bolivia, where U.S. military forces provided transportation for local law enforcement teams to destroy drug processing laboratories.

In the Caribbean and The Bahamas, we have supported extensive programs to interdict drug shipments. Other programs throughout the region support training for law enforcement officers and public education. The war on drugs at all levels also is being expanded with new resources provided by the omnibus drug bill passed in 1986. Of course, a central part of any strategy must deal with the massive consumption of drugs in the United States.

Civil-Military Relations

In 1987, U.S. authorities in California arrested retired Argentine General Suarez Mason whose extradition Argentina had requested after his indictment for human rights abuses. Through tangible actions, private consultations, and public statements, the U.S. Government is attempting to make clear that it expects cooperation between U.S. and Latin American military services to take place within a framework of civilian control and support for democracy. This was the theme of a major address entitled "A Democratic Vision of Security" by Assistant Secretary of State for Inter-American Affairs Elliott Abrams at the 25th commencement ceremony of the Inter-American Defense College on June 13, 1986 (see Current Policy No. 844).



Tiradentes: A Vision Vindicated

In late 1788, in the Province of Minas Gerais in the Brazilian interior, a group of men launched the first major conspiracy against Portuguese colonial rule. Their motives were mixed: freedom from debt and taxes owed to the Crown, a more open commercial system, and abolition of a social structure that denied them upward mobility. Some were inspired by the dream of a free republic, patterned after the newly independent American colonies. As students in France, several had discussed their plans with Thomas Jefferson.

The central figure in the *Inconfidência Mineira* (or Minas Conspiracy) was Joaquin José da Silva Xavier, a low-ranking officer known by his nickname "Tiradentes" (toothpuller), who embodied the complex motivations behind the conspiracy. After several business failures and the loss of his property, he entered the military but was passed over for promotion in favor of officers with better connections. Because of his dental skills, Tiradentes eventually met some merchants in Rio de Janeiro and, with them, developed his plans for an independent republic.

The scheme called for Tiradentes to provoke a riot, then lead an assault on the Governor's residence at the head of a group converted to the republican cause. After declaring an independent republic in Minas Gerais, the conspirators hoped to carry their war of independence to the other provinces. The constitution they planned called for economic reforms; freedom for native-born slaves; and establishment of a university, schools, and hospitals. Citizens would have the right to bear arms and would be required when necessary to serve in a national militia, but there would be no standing army. Each town would have a council subordinate to a parliament in the capital. After 3 years of provisional rule to consolidate the republic, elections were to be held annually.

Before they could carry out the plan, one of the conspirators divulged the plot. Tiradentes confessed but, to spare the others, claimed that he had conceived the plot alone. Among the charges leveled against him was attempting to translate the U.S. Constitution into Portuguese. The conspirators were tried, convicted, and sentenced to death; all save Tiradentes had their sentences commuted. On April 21, 1792, he was led to the gallows on the outskirts of Rio and hanged.

After Brazil became an independent republic almost 100 years later, Tiradentes was hailed as a hero. His vision had helped thrust Brazil into the nationalist, anticolonialist, republican mainstream of the Enlightenment and set Brazil on the road to the democracy it enjoys today.

With funding from AID and other donors and the assistance of the Bureau of Inter-American Affairs of the Department of State, the School of International Service of the American University in Washington, D.C., is undertaking a study of civilian-military relations designed to promote dialogue among scholars and military and civilian leaders from the United States and Latin America. Civil-military relations is now a standard topic in the Washington briefings given to participants in USIA's International Visitor Program.

The Need for Mutual Support

The promise created by the convergence between Latin American democratization and increased U.S. support for democracy can only be fulfilled if headway is made in overcoming two separate problems, one for each potential partner in the quest for inter-American cooperation. They are Latin American instability and U.S. inconsistency.

For Latin America, the preliminary indications suggest that, this time, the cycle of instability is being broken in enough countries to make a difference. The strengthening of constitutional government has increased protection of human rights and provided channels for the redress of grievances. Freedom of the press has been restored in as large a country as Brazil, in some ways the freest of societies, and as small a country as Haiti, where for decades government censorship limited all forms of political expression.

Many of the same forces that sparked the decline of authoritarianism seem likely to favor continued democracy. Urbanization, industrialization, and the growth of the middle classes are continually expanding the potential democratic power base. Higher rates of education and literacy are increasing the number of people capable of seeking an active role in government and of communicating and obtaining mutual support from like-minded groups to protect democracy once achieved.

In 1985, two amendments to the Charter of the Organization of American States were proposed to recognize that "representative democracy is an indispensable condition for the stability, peace, and development of the region" and that the promotion and consolidation of democracy are among its essential purposes. These provisions foster and reflect the potential for hemispheric solidarity and cooperation among countries united by democratic principles and practices. The inaugurations of newly elected civilian governments have become regular occasions for the democratic nations of the hemisphere to show their commitment to these principles.

The international implications of Latin America's democratic revolution are enormous. The democratic Government of Argentina has stressed its desire for a negotiated settlement with the United Kingdom over control of the Falklands/Malvinas Islands. This approach sharply contrasts with that of the predecessor military regime, which tried to resolve the issue through military action. In July 1986, Argentina and Brazil signed a dozen accords designed to promote trade, cooperation in key industries, and otherwise strengthen mutual support and cooperation.

Finally, the absence of democracy has been recognized as a major source of conflict within countries as well as among them. In Central America, democratization has been the key to progress in El Salvador, while in Nicaragua the absence of democracy hampers national reconciliation. Democratization in both El Salvador and Honduras contributed to reducing historic border tensions and to their ability to implement the dispute resolution mechanisms contained in the 1980 peace treaty ending the 1969 war between them.

In the United States during the past decade, the U.S. Government—with both the Congress and the executive branch participating and, at times, even seeming to compete—has taken an increasingly active role in support of democratic processes and institutions throughout the hemisphere.

Considerable uncertainty nonetheless remains about the consistency of vigorous U.S. support for the democratic revolution in the region. Lack of sufficient funding for U.S. foreign assistance could, over time, cripple U.S. foreign policy. New protectionist trade barriers would aggravate the debt crisis. Halting support for democratic forces in Nicaragua would further endanger the security of the Central American democracies.

Increased U.S. continuity in foreign policy and political and financial commitment to democracy would mitigate many of these threats. Continued support for democracy requires a consistency—the combination of political will and sufficient resources—that has often been absent from U.S. foreign policy in recent years. The emergence of bipartisan coalitions in the Congress on matters from the Caribbean Basin Initiative to support for the Nicaraguan democratic resistance suggests this may be possible.

In short, though the dangers are great and growing, those who envision an enduring cooperative relationship among democratic societies throughout the Americas have more reason to be optimistic today than at any time since the early days of the Alliance for Progress. In Latin America, democratic achievements are all the more impressive because they have come piecemeal, one country at a time, usually without grand illusions about the outside world. In the United States, the realization that our neighbors in Latin America and the Caribbean are increasingly committed to democracy and that their success is important to our own security is strengthening support for a new bipartisan consensus.

If the United States and the countries of Latin America and the Caribbean continue to provide each other support and encouragement, as they have in the past decade, it will be possible to say that democracy will have fulfilled its promise as both a cause and a result of good relations between Latin America and the United States. ■

Nicaragua: Appearance v. Reality

Elections were held throughout the Somoza era. Real power, however, was never put to a vote. The major change under the Sandinistas is that elections are not even regular.

General Somoza offered the Conservative opposition 40% of the seats in a constituent assembly in 1971. The "pact" between the Conservatives and Somoza's Liberal Party was rejected by other opposition parties, including the Independent Liberal Party and the Social Christian Party. But Somoza's manipulations made possible legal and constitutional changes that allowed him to run for president in 1974 in an election in which 9 out of 10 opposition groups had been excluded.

On August 17, 1974, Nicaragua's Roman Catholic bishops responded to the exclusion of the opposition by issuing a pastoral letter that declared that "a dominant majority party does not have the right to exclude and deny recognition to the minorities." The bishops denounced "legal weapons," asserting: "When the law becomes an instrument of force used to deprive citizens of their rights, to sterilize and destroy civic action, to imprison for the sole offense of not accepting the only system or the existing regime, it is legal war: it is the absurd destruction of man by the law."

Ten years later, in 1984, the Sandinistas put Nicaragua through the motions of another election. As in 1974, the Sandinistas never intended that the elections would determine who would exercise power. As in 1974, the Sandinistas permitted a faction of the Conservatives to win the largest share of opposition votes. And as in 1974, other parties opposed the ruling party's manipulation. Major opposition forces united in the *Coordinadora Democratica* to run Arturo Cruz for president but boycotted the election when it became clear that their candidates were denied the right to campaign freely. The Independent Liberal Party tried to withdraw later in the campaign, but was prohibited from doing so on a technicality.

On April 22, 1984, Nicaragua's Roman Catholic bishops responded to the growing polarization of Nicaraguan society by issuing a pastoral letter which declared that "it is dishonest to constantly blame internal aggression and violence on foreign aggression" and called for national reconciliation through dialogue. "All Nicaraguans inside and outside the country," asserted the bishops, "must participate in this dialogue, regardless of ideology, class, or partisan belief. Furthermore, we think that Nicaraguans who have taken up arms against the government must also participate in this dialogue."

On February 7, 1987, seven opposition parties—the Independent Liberal Party, the Social Christian Party, the Constitutional Liberal Party, the Popular Social Christian Party, the Conservative Party, the Social Democratic Party, and the Communist Party called for the creation of a National Peace Commission to work for a ceasefire; full political, social, and economic rights in accordance with the new constitution; general amnesty; and an election calendar. The 1983 Contadora objectives and more recent Central American negotiating initiatives, including proposals put forth by President Oscar Arias of Costa Rica on February 15, 1987, also make clear that democracy can no longer be left to appearances.

Country Summaries

☐ Type of election(s) ☐ Date of most recent election(s) ☐ Date of next election(s)

Antigua and Barbuda

Parliament	Apr 1984	**By 1989**

Antigua and Barbuda, which achieved its independence from Great Britain in 1981, has a parliamentary system of government with an elected House of Assembly and an appointed Senate. The British monarch, who continues to be recognized as chief of state, is represented by an appointed Governor General. The governing Antigua Labor Party (ALP), led by Prime Minister V.C. Bird, Sr., won decisively in the April 1984 elections, defeating an opposition coalition composed of the United People's Movement, the People's Labor Movement, and the Antigua Caribbean Liberation Movement. Although the centrist ALP swept 16 of 17 parliamentary seats, the election was considered free and fair by all accounts. A new opposition party, the United New Democratic Party (UNDP), was formed in March 1986 from the remnants of several old opposition parties. The UNDP, which has attracted several newcomers to politics, has a moderate, pro-Western philosophy.

Argentina

Congress	Nov 1985	**Nov. 1987**
President	Oct 1983	**Nov. 1989**

Argentina's most recent return to democracy began with a record-breaking turnout of more than 15 million voters in presidential and congressional elections on October 30, 1983. Argentines also went to the polls in large numbers in October 1984 in a nonbinding plebiscite on the Beagle Channel Treaty prior to the treaty debate in the Congress. Subsequent legislative elections in 1985 were widely considered an important step in consolidating democracy in Argentina. A wave of terror bombings designed to disrupt the campaign failed when the government invoked a state of siege, which in no way interfered with the campaign or the polling. The nearly 84% turnout, which approached that of the 1983 presidential election, was seen as a massive repudiation of violence and a popular affirmation of democracy. Distribution of the vote probably also helped to consolidate democracy: while the governing Radical Civic Union Party of President Raúl Alfonsín maintained its majority in the lower house, the Justicialist (Peronist) Party, despite serious internal divisions, polled sufficient support to maintain its plurality in the Senate and its credibility as a potential democratic alternative. In late 1986, parties began active campaigning for the 1987 round of congressional and provincial elections.

The Bahamas

Parliament	June 1982	**By 1987**

The Commonwealth of The Bahamas became an independent member of the British Commonwealth on July 10, 1973. As in most other Commonwealth nations, the chief of state is the British monarch, who is represented by an appointed Governor General. The government is a Westminster-style parliamentary democracy. The executive and the legislative branches are interdependent, but the judiciary is independent. Parliament, which has a maximum term of 5 years, consists of two houses: an appointed, 16-member Senate and an elected 43-member House of Assembly. The Senate's members are appointed by the Governor General on the advice of both the Prime Minister and the leader of the opposition. Members of the House of Assembly are elected from individual constituencies. Prime Minister Sir Lynden O. Pindling's Progressive Liberal Party (PLP) has won five consecutive national elections dating back to 1967. The next election must take place by August 1987.

Barbados

Parliament	May 1986	**By 1991**

One of the most stable and prosperous countries in the Caribbean, Barbados is a flourishing parliamentary democracy with an elected lower chamber (House of Assembly) and a nominated upper chamber (Senate). The chief of state is the British monarch, who is represented by an appointed Governor General. Elections constitutionally are due every 5 years. There is a well-established two-party system; both parties are moderate, centrist, and pro-Western. Major differences center on personalities rather than philosophy. The ruling Democratic Labor Party (DLP) of Prime Minister Errol Barrow is closely allied to the island's major labor union and won 24 of 27 seats in the May 1986 elections. The opposition Barbados Labor Party won three seats and is led by Henry Forde. Although there are several radical, left-wing parties active in Barbados, they do not pose a challenge to the dominance of the two major parties. Elections have been scrupulously free and keenly contested.

Belize

Parliament	Dec 1984	**By 1989**

Belize achieved independence from Great Britain in 1981 after an extended period of internal self-government. The pattern exemplifies the successful local adaptation of the British parliamentary tradition that flourishes in the Caribbean. In December 1984, in the first general elections since independence, the United Democratic Party (UDP) led by Manuel Esquivel won 21 of 28 seats in the House of Assembly. Voter turnout was moderate, and the election was free of any charges of fraud. The UDP, a moderate-to-conservative party, favors private enterprise to diversify Belize's sugar-based economy. The major opposition party is the moderate-to-leftist People's United Party.

One Inspiration, Many Models

In 1813, Thomas Jefferson imagined the day when the people of Latin America would be liberated from colonial rule and military despotism. In a letter to his old friend Lafayette, he predicted that the inevitable conflicts of the old autocratic order would "bring the people into motion, into action, and into the exertion of their understandings." The example of the United States, Jefferson hoped, would be "an excitement as well as a model for their direction."

In their struggle for independence, the peoples of Latin America and the Caribbean did find inspiration in many of the same Enlightenment principles that formed the basis of Jefferson's constitutional thought. The philosophers of the Enlightenment believed that, just as there were laws of Nature, there were laws that governed human activity. They had limitless confidence in the ability of reason to discern those laws and apply them to human affairs. They also believed that man could be persuaded by Reason to conform to those laws without resort to the tyrannical and barbarous practices of earlier governments.

It was in the New World that men first attempted to apply these principles and to systematize not only the laws that govern the citizens of the state but also the rights of those citizens. These principles, spelled out in constitutions throughout the Americas, are familiar to all of us: government derives its authority from the consent of the governed; all men are equal under the law and entitled to due process; government has an obligation to guarantee individual liberties such as freedom of speech, of assembly, and of religion; and the constitution itself forms a body of supreme law.

The people of Latin America and the Caribbean sought additional inspiration in the French "Declaration of the Rights of Man and of the Citizen" and the Spanish Constitution of 1812. A number of the original Latin American constitutions went beyond the U.S. model by outlawing slavery. Constitutional revisions in this century have emphasized economic and social rights conforming to contemporary conceptions of social justice.

As Jefferson had envisioned, the United States did serve as an inspiration for the independence movement throughout the Western Hemisphere. Today, however, U.S. policy does not envision a single model of government for our neighbors. We know now that that is neither possible nor desirable. The region's constitutions establish many different forms of government—federal and unitary, parliamentary and presidential, republic and commonwealth. But Jefferson's essential vision remains: as democratic neighbors, we have a role to play in support of a democratic transition based on the values that all people of the Americas share—liberty, equality, justice, and peace.

☐ Type of election(s) ☐ Date of most recent election(s) ☐ Date of next election(s)

Bolivia

Congress, President	July 1985	**July 1989**
Municipal	July 1985	**Dec. 1987**

Bolivia returned to democratically elected government in October 1982 following 18 years of military regimes. In 1984, faced with an increasingly chaotic economic situation, inflation of more than 20,000%, severe social unrest, the specter of a military coup, and the incapacitation of his government, President Hernán Siles Zuazo called for national elections in July 1985, a year ahead of schedule. The first round of the 1985 balloting gave no candidate an absolute majority. In accordance with the Bolivian Constitution, the Congress then chose between the principal vote winners and elected Victor Paz Estenssoro president.

Once installed, the Paz government moved swiftly and successfully, with the support of losing presidential candidate Hugo Bánzer and his Nationalist Democratic Action Party, to impose stringent economic reforms and deal with disruptive social elements. In 1986, the Paz administration requested U.S. military assistance to mount a very effective drug interdiction campaign despite severe domestic political criticism.

Brazil

President	Jan 1985 (indirect)	**Jan. 1991*** **(direct)**
Mayoral	Nov. 1985	**Nov. 1988**
Congress, Governors	Nov 1986	**Nov. 1990**

Brazil has held three major elections in the last 2 years. Following two decades of military rule, a civilian was elected president by an electoral college on January 15, 1985. The President-elect, Tancredo Neves, fell ill on the eve of his inauguration and died without taking office. Vice President-elect José Sarney became president. President Sarney has established himself as a major political figure in his own right. The Sarney administration is backed in Congress by the Democratic Alliance, comprised of two centrist parties: the PMDB (Party of the Brazilian Democratic Movement) and the PFL (Liberal Front Party). Together, they have instituted significant changes in the social and economic spheres.

A second major election was held on November 15, 1985, when Brazilians voted for mayors of the capital cities of the country's 23 states. The Democratic Alliance won most of the races. A third election on November 16, 1986, selected governors, federal deputies, two-thirds of the Senate, and state legislatures. Again, the Democratic Alliance scored a major victory, with the PMDB winning 22 of 23 gubernatorial races and majorities in the Chamber of Deputies and the Senate. The election was especially significant because the Congress will write a new constitution for Brazil.

Chile

Constitutional plebiscite	Sept 1980	**1989**

The military took power in Chile in September 1973, replacing an elected government led by Marxist Salvador Allende, whose alliance with both Marxist-Leninist radicals and Moscow-line communists was creating mounting opposition and disorders in what had previously been considered one of Latin America's most democratic countries. The military ruled by decree until 1981, when a constitution ratified by a September 1980 plebiscite took effect. The constitution's provisions and the conditions under which it was adopted were criticized by opposition groups.

The constitution confirmed Gen. Augusto Pinochet as president until 1989, at which time another plebiscite is scheduled to vote on a single candidate nominated by the junta of commanders of the army, navy, air force, and police to serve until 1997. If the junta's nominee receives a majority of the votes cast, he would assume his duties on March 11, 1989. If the nominee is not confirmed in the plebiscite, the constitution provides for open presidential and congressional elections to be held 90 days before the completion of Pinochet's current term extended by 1 year; that is, the new election would be held 90 days prior to March 11, 1990. On that date, the newly elected president and Congress would accede to power.

President Pinochet has publicly opposed any changes to the 1980 constitution, although opposition representatives and some government supporters have advocated replacing the plebiscite with free elections. A constitutional amendment allowing free elections in 1989 is theoretically possible, if proposed by President Pinochet and ratified by plebiscite.

While the 1973 military takeover enjoyed considerable popular backing, opposition to continued military rule has grown over the 13 years of the Pinochet government. It responded to mounting public opposition and demonstrations with a tentative political opening in 1983, which ended with the imposition of a state of siege. Another period of liberalization followed the removal of the state of siege in mid-1985, but the Pinochet government firmly rejected dialogue with the democratic opposition, which had by then come together in a broad coalition of political parties known as the National Accord. The Chilean far left, meanwhile, has actively supported terrorist violence in hopes of blocking development of conditions that might lead to a peaceful transition to full democracy. The government, in turn, has used this communist-sponsored terrorism to justify broad crackdowns against the opposition. An assassination attempt against President Pinochet by communist terrorists in September 1986 led to reimposition of a state of siege, which was lifted in January 1987.

The Pinochet government has taken some steps to establish the juridical framework for the presidential plebiscite expected in 1989: adopting an electoral registration law in 1986 and announcing that a law to legalize democratic political parties would be promulgated early in 1987. But severe restrictions on political activity and other human rights prob-

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* The new constitution may change the presidential term, thus, it is possible that the next presidential elections will be held before January 1991.

☐ Type of election(s) ☐ Date of most recent election(s) ☐ Date of next election(s)

lems persist. Efforts to improve the political atmosphere and restore fundamental freedoms such as freedom of assembly and speech are necessary for meaningful progress on a transition to full democracy. The United States has strongly supported a return to elected, democratic civilian government in Chile, welcoming the National Accord and urging dialogue between the government and the democratic opposition.

Colombia

Congress	Mar 1986	Mar. 1990
President	May 1986	May 1990

Colombia has been governed by democratically elected governments for most of this century. The only exception was the dictatorship of Gen. Gustavo Rojas Pinilla (1953-58). Since then, the Liberal and Conservative Parties have dominated the political system, generally alternating the presidency between them. Congressional and presidential elections in 1982 and 1986 were considered free of fraud. The 1986 presidential election, which saw heavier than usual voter turnout, produced a landslide victory for Liberal Virgilio Barco Vargas over Conservative Alvaro Gomez Hurtado. President Barco continued efforts to entice guerrillas to join the political system.

Costa Rica

President, Congress	Feb 1986	Feb. 1990

Costa Rica is one of Latin America's oldest constitutional democracies. The Constitution of 1949 eliminated the army in order to end any institutionalized military threat to elected civilian government; created a fourth branch of government—the Supreme Electoral Tribunal—with remarkable independent powers to assure scrupulously honest elections; and prohibited presidential reelection (or the election of anyone in the president's cabinet or immediate family). National elections, held every 4 years, select the president, two vice presidents, the entire Legislative Assembly, and local municipal councils.

In 1982 and 1986—and for many years before—the elections were actively contested, free of fraud, and featured voter turnouts of approximately 85%. Two major parties—both moderate—dominated both elections: the Christian democratic Social Christian Unity Party and the social democratic National Liberation Party. The latter captured both the presidency and the legislature in the last two elections. Other parties active in the 1982 election included the center-right National Movement, the communist Pueblo Unido coalition, and the fringe Independent and Democratic Parties. The 1986 election, which gave the presidency to Oscar Arias, also included the communist Popular Alliance, the communist Pueblo Unido coalition, the personalist National Christian Alliance, and the fringe Independent Parties. An earlier split within the Costa Rican Communist Party (PVP) was successfully arbitrated by the Supreme Electoral Tribunal.

Cuba

Although Fidel Castro's ascension to power in 1959 was based in part on his promises to bring democratic freedoms, Cuba is a communist one-party state, and—with the fall of Trujillo in the Dominican Republic and Duvalier in Haiti—the most important exception to Caribbean traditions of democracy and representative government. The Cuban constitution contains provisions for popular and competitive elections; freedom of the press, speech, and religion; and guaranties of civil liberties. However, in accordance with the constitution, these protections are not available to "enemies of socialism," as defined by the state. Thus, Castro rules through classic authoritarian and Marxist-Leninist repression. There are no independent institutions or freedom of press or speech. Neither an independent judiciary nor a free trade union exists, and there are restrictions on religious practice.

Behind the ideological smokescreen, Castro's government is that of an aging, traditional *caudillo*, within the modern control mechanism of the 20th century party-state. There is no concept of a legal organized opposition, and this is summed up in Fidel Castro's aphorism: "Within the revolution, everything; against the revolution, nothing." Under these circumstances, those elections that have been held in Cuba since the revolution have been recognized as meaningless.

Dominica

Parliament	July 1985	By 1990

Dominica is a parliamentary democracy in the British tradition with an elected House of Assembly and nominated Senate. Unlike the other states of the Organization of Eastern Caribbean States (OECS), where the chief of state (the British monarch) is represented by an appointed Governor General, the head of state in the Commonwealth of Dominica is the president. Dominica, however, remains a member of the Commonwealth and continues to recognize Queen Elizabeth II as sovereign. Elections are constitutionally due every 5 years and have been free and fair. In the 1985 national election, the Dominica Freedom Party (DFP) of conservative, pro-Western Prime Minister Eugenia Charles defeated the leftwing opposition Labor Party of Dominica and the affiliated Marxist-led Dominica United Labor Party.

Dominican Republic

President, Congress	May 1986	May 1990

Despite an earlier history of alternating civil turmoil and authoritarian rule, democracy and fair election procedures have become institutionalized in the Dominican Republic. Suffrage in the Dominican Republic is universal and compulsory for those over age 18 and married. Over 70% of the registered voters participated in the 1986 national elections. The country's three major political parties, the Reformist Party, the Dominican Revolutionary Party, and the Dominican Liberation Party, are represented at all levels of the government—federal, state, and local. With the election of Joaquín Balaguer in May 1986, the Dominican Republic has now had six consecutive elections at 4-year intervals. This follows a 5-year period of instability (1961-66) and the long dictatorship of Rafael L. Trujillo (1930-61). Two of those elections—in 1978 and 1986—resulted in the transfer of power to the major opposition party.

Ecuador

Congress, Municipal	June 1986	**Jan. 1988**
President	May 1984 (2d round)	**Jan. 1988 (1st round)**

Seven years of military rule ended in 1979 when Ecuador returned to civilian rule with elections under a new constitution. The constitution stipulates that no president may succeed himself. The inauguration of President León Febres Cordero on August 10, 1984, marked the first transition in 24 years from one elected democratic government to another.

Democratic institutions have had to survive several potentially destabilizing events since 1979. In May 1981, President Jaime Roldós died in a plane crash, but Vice President Osvaldo Hurtado assumed power in an orderly transition even though he belonged to a different party. In March 1986, a disgruntled air force general, Frank Vargas, staged two uprisings against the government of President Febres Cordero. In January 1987, rebellious air force troops supportive of Vargas briefly kidnaped the president and obtained Vargas' release from military custody. This incident generated coup rumors and led to opposition calls for Febres Cordero's resignation. In response, the Ecuadorean Armed Forces publicly rejected the notion that they might use the crisis to reimpose military rule, and Febres Cordero declared his intention to complete his term and to hold elections as scheduled in 1988.

Febres Cordero, a businessman, is a member of the Social Christian Party (PSC), which in the 1984 elections joined several other parties in a coalition called the National Reconstruction Front to defeat the presidential candidacy of Rodrigo Borja Cevallos of the Democratic Left (ID). Borja is one of several candidates expected to seek the presidency in 1988. In the midterm elections of June 1986, the ID won 17 seats in the unicameral Congress, giving it the largest congressional representation of any political party. The ID and other opposition parties hold a total of 40 of the 71 seats in Congress and have vigorously debated government initiatives, especially economic policy.

El Salvador

President	May 1984	**May 1989**
Congress, Municipal	Mar 1985	**Mar. 1988**

In 1979, a reformist coup began what has turned out to be a gradual transition to democracy despite civil war and foreign intervention. In 1982, popular elections were held for a constituent assembly. Political parties allied with the guerrilla umbrella organization, the Farabundo Martí National Liberation Front (FMLN), rejected an offer of automatic registration for the elections, and called on voters to stay home. Very heavy voting was widely interpreted as a popular plea for peace. When none of the six participating parties won a majority, the assembly selected independent lawyer Alvaro Magaña Borja to head a government of national unity.

A presidential election was held on March 25, 1984. Eight candidates representing a broad political spectrum competed in the first round. José Napoleón Duarte, a founder of the Christian Democratic Party and former populist mayor of San Salvador, and Roberto D'Aubuisson, a retired army officer and leader of the ARENA (National Republic Alliance) party, received the most votes. In a runoff held on May 6, 1984, Duarte won 54% of the vote to become El Salvador's first freely elected civilian president in more than 50 years; more than 80% of the electorate went to the polls.

International observers attested to the fairness of both rounds of the 1984 presidential elections. Legislative and municipal elections, held as scheduled in March 1985, were again judged by international observers to have been free and fair. In a surprise result, the Christian Democrats obtained an absolute majority in the Legislative Assembly by winning 33 of 60 seats. The remainder of the seats were split among ARENA (13 seats), the Party of National Conciliation (12 seats), and several minor parties. El Salvador is now preparing for the next round of Legislative Assembly (1988) and presidential (1989) elections. In addition to the established parties, new conservative and social democratic parties are seeking legal inscription from the Central Electoral Council and working to build support for the next elections.

Grenada

Parliament	Dec 1984	**By 1989**

The parliamentary elections of December 3, 1984, were the first national elections since 1976, the first since the rise and disintegration of the Marxist New JEWEL Movement, and the first since the brief 1983 U.S.-Caribbean military operation to restore order. Not surprisingly, the elections took place under the close scrutiny of several observer organizations. The observers concluded overwhelmingly that the elections were free and fair. The 84% voter turnout produced a firm mandate for the New National Party coalition led by Herbert Blaize. Five other parties participated in the elections, including the Grenada United Labor Party of former Prime Minister Sir Eric Gairy and the Maurice Bishop Patriotic Movement, formed by supporters of the late Marxist prime minister, who had ousted Gairy in the 1979 coup.

☐ Type of election(s) ☐ Date of most recent election(s) ☐ Date of next election(s)

Guatemala

Congress	Nov 1985	**Nov. 1990**
President	Dec. 1985 (runoff)	**Nov. 1990**

Constituent Assembly elections on July 1, 1984, with the participation of an unprecedented 72% of the eligible electorate were characterized by international observers to have been remarkably free and open. The number of voters exceeded by nearly 800,000 the previous high recorded in 1982. Nine political parties and one regional civic committee, covering the legal political spectrum in Guatemala, won seats. In the 1985 National Assembly elections, three parties or coalitions, representing the right, center, and left, won 23, 21, and 20 seats respectively. The left-of-center Christian Democrats ran well in the heavily populated Indian highlands. The center-right Union of the National Center won the majority of seats in the capital area and made a strong showing on the south coast. The conservative parties (particularly the National Liberation Movement) fared less well than expected but retained their traditional strongholds in the eastern portion of the country. At the other end of the political spectrum, the Social Democratic Party competed openly after years of exile and won one congressional seat. President Vinicio Cerezo of the Christian Democratic Party was inaugurated on January 14, 1986. Guatemala still faces formidable social, cultural, human rights, and economic problems, but the progress made since 1984 is encouraging.

Guyana

President, National Assembly	Dec. 1985	**No later than Mar. 1991**

While Guyana maintains the structure of a multiparty parliamentary republic within the Commonwealth, its 1980 constitution defines the country as a "democratic sovereign state in the course of transition from capitalism to socialism." The constitution states that presidential, National Assembly, and regional elections are to be held every 5 years. Since 1964, the People's National Congress (PNC) has dominated political life in Guyana. Opposition parties and some civic organizations have charged electoral fraud. Since 1980, there have been two elections, the first on December 15, 1980, and the most recent on December 9, 1985. In the last election Desmond Hoyte was elected president. Opposition parties have either pulled out of these elections (1980) or refused to acknowledge the results as valid (1985). Municipal elections were scheduled for December 1986 for the first time since 1970; however, the opposition parties decided to boycott the elections even before nominations were closed. They alleged that the elections would not be fair since the PNC dominated the electoral machinery. The unopposed PNC candidates were declared elected by the elections commission, but no voting took place.

Haiti

Constituent Assembly	Oct 1986	**Not applicable**
Constitutional Referendum	Not applicable	**Mar. 1987**
President, Congress	Not applicable	**Nov. 1987**

On February 7, 1986, President-for-Life Jean-Claude Duvalier fled Haiti, ending almost 30 years of autocratic government under the Duvalier family. He left behind an impoverished people with the lowest per capita GDP in the Western Hemisphere, a bankrupt government, a faltering economy, and an almost complete lack of institutions capable of participating effectively in a democracy. The "elections" held during the Duvalier era were designed to perpetuate the status quo and placate aid donors insistent on tangible evidence of democratic reform.

The National Governing Council (CNG), the transitional government led by General Henri Namphy, replaced Duvalier, eliminated the repressive symbols and practices of his regime, and set in motion a process of political institution-building. In June 1986, the council issued a comprehensive political calendar. Fulfilling one of the initial steps in the calendar, the CNG held Constituent Assembly elections on October 19. The assembly will draft a new constitution which then is to be approved in a national referendum in March 1987. Elections are to be held in November 1987 for a president and for members of the national legislature. Dates of future elections will be determined with the adoption of a new constitution.

Honduras

President, Congress	Nov. 1985	**Nov. 1989**

The April 1980 Constituent Assembly elections began a process that ended nearly 18 years of military rule. On November 29, 1981, Roberto Suazo Cordova of the Liberal Party won 54% of the presidential votes and 44 of 82 congressional seats. The major opposition party, the National Party, won 34 seats. Suazo's inauguration in January 1982 restored democratic civilian government to Honduras. In 1985, José Azcona Hoyo of the Liberal Party won election as president with about 51% of voters casting ballots for his party. The Liberal Party won 67 of 134 congressional seats and the National Party won 64. Azcona's election led to the first transfer of power between two democratically elected presidents in Honduran history.

The National Party, the oldest political party in Honduras, has traditionally maintained a moderate-to-conservative ideology and close ties to the Honduran military. The Liberal Party, which developed from the National Party in the early years of this century, has maintained a slightly more reformist ideology. Two smaller parties, the Innovation and Unity Party and the Christian Democratic Party, have taken positions somewhat to the left of the two major parties, but neither has obtained substantial electoral support. The National Congress recently passed electoral reforms that include the introduction of American-style party primaries and conventions to select presidential candidates.

Jamaica

Parliament	Dec 1983	**By 1988**

Jamaica, a member of the Commonwealth, has been a functioning democracy since independence in 1962. Under the country's parliamentary system, elections are held for members of the House of Representatives in each of the country's 60 constituencies. The constitution requires the prime minister to call a general election not later than 5 years after the first sitting of the previous parliament. The 1980 election saw the Jamaica Labor Party (JLP) defeat the then-ruling People's National Party (PNP) led by Michael Manley. In 1983, Prime Minister Edward Seaga called a "snap" election. The PNP boycotted the election because it contended that new elections should not be held until the voter rolls were updated. Following a revision of the rolls and the adjustment of electoral districts to reflect population shifts, the PNP participated in island-wide municipal elections on July 29, 1986. Opposition victories in 12 of the 13 parishes have led to PNP domination of local government, while the JLP controls the national government. The next parliamentary election must be called by December 1988 and held within 3 months of being called.

Mexico

President	July 1982	**July 1988**
Chamber of Deputies	July 1985	**July 1988**

Unlike many countries in the region, civilians have governed Mexico throughout most of the 20th century. For almost 60 years, this leadership has been drawn exclusively from the Institutional Revolutionary Party (PRI). PRI candidate Miguel de la Madrid was elected president in 1982. But in recent years, opposition political parties have grown in membership and have run successfully in some municipal and legislative elections. Under electoral reforms begun in the late 1970s and modified in 1986, opposition parties have begun to play an increasingly important role in the Chamber of Deputies, the lower house in Mexico's bicameral national legislature. Beginning with the new Chamber that will be elected in 1988, at least 200 of that body's 500 seats will be allocated to the opposition on the basis of a modified form of proportional representation. In addition, the opposition will still be able to compete for the Chamber's remaining 300 seats, which are elected on the basis of single-member districts. In the July 1985 congressional elections, the opposition won 8 of the 300 single-member districts then being contested. One hundred seats allotted to the opposition in 1985 were divided among eight opposition parties on the basis of proportional representation. The opposition, of which the National Action Party (PAN) is the largest component, often accuses the PRI and electoral officials of fraudulent practices. On some occasions, election reviews have indicated irregularities at the local level and initial PRI victories have been overturned. In general, however, election campaigns and balloting are conducted in an open manner.

Nicaragua

President, Congress	Nov 1984	**1990**

In July 1979, a broadly based coalition, whose military component was the Sandinista National Liberation Front (FSLN), overthrew the 44-year-old Somoza dynasty. The promised democracy never materialized. In April 1980, moderate members of the original revolutionary junta resigned, and, by the end of 1981, the FSLN held all key positions.

After rejecting elections as useless bourgeois trappings, the Sandinistas announced presidential and congressional balloting for November 1984, the week before the U.S. elections. The key opposition force was the *Coordinadora*, made up of political parties, labor unions, and private sector organizations, which nominated former junta member Arturo Cruz as its presidential candidate. The *Coordinadora* ultimately did not register its candidates because it believed the FSLN failed to provide the conditions necessary for free and fair elections. *Coordinadora's* rallies were broken up by government-sponsored mobs. Although the electoral law required that all parties be given equal time on television, opposition parties were denied access to the media. The FSLN received 67% of the vote, and Daniel Ortega was elected president. Some 75% of those eligible voted. Power was not at stake in the way the FSLN conducted the elections, but the fact of holding elections at all did give the FSLN some credit abroad.

Since 1984, political parties opposed to the FSLN have attempted to maintain some semblance of political life inside Nicaragua while exile groups, most of them linked to the armed resistance, have formed the United Nicaraguan Opposition (UNO), the Southern Opposition Bloc (BOS), and the Miskito-Sumo-Rama Indian Unity (MISURASATA).

A new constitution was promulgated January 9, 1987, but was followed the same day by the declaration of a state of emergency. The government had said that municipal elections would be held in 1987 but did not set a specific date. Since then, the government has equivocated on that promise.

Panama

President, Congress	May 1984	**May 1989**

In 1968, the late Gen. Omar Torrijos and several other military leaders seized power, instituting prolonged rule by the National Guard (subsequently known as the Panamanian Defense Forces). The

Panamanian Constitution, in effect since 1972, provides for basic civil liberties; freedom of the press, speech, and assembly; and regular, competitive elections. While Panama is generally viewed as an open society and constitutional norms are followed for the most part, the Defense Forces' involvement in governmental affairs is pervasive.

The 1984 elections, the first direct presidential and legislative elections held in Panama since Torrijos came to power, remain a source of friction between the government and opposition party leaders. Although more than three-quarters of Panama's electorate participated in the elections, the vote was widely perceived as flawed, due to the prolonged vote tabulation process which was marked by irregularities. The resignation in September 1985 of President Nicolás Ardito Barletta, who had been declared the winner of the 1984 contest, under pressure from the Panamanian Defense Forces was viewed as a further setback to democracy. Barletta was succeeded by Eric Arturo Delvalle, who had been elected vice president in 1984.

The Democratic Revolutionary Party is the largest member of the National Democratic Union Coalition, the political organization affiliated with the Panamanian Defense Forces. The Panamenista Party of Arnulfo Arias is the opposition party with the greatest mass support, but historically it has been a major political force only when Arias has been an active candidate. The Panamanian Christian Democratic Party is well-connected internationally, maintaining close contact with the Christian Democratic International. This opposition party is respected for its ideological integrity but lacks a significant grass-roots following.

Paraguay

President, Congress	Feb 1983	**Feb. 1988**

There has been little change in Paraguay's political system since Gen. Alfredo Stroessner emerged as the political strongman in 1954 following several years of instability. The legal opposition parties are guaranteed one-third of the seats in Congress but are effectively powerless. A state of siege is continuously renewed and human rights problems persist. Though Paraguay has few political prisoners, the free exercise of individual liberties is curtailed, and opposition media voices remain banned or under heavy government pressure. In February 1983, President Stroessner was reelected to a seventh term that ends in 1988. The elections resulted in the ruling Colorado Party officially receiving more than 90% of the votes cast. Opposition party officials claim, however, that the elections were characterized by impediments to voter registration, fraud, ballot-box stuffing, and tabulation irregularities. The United States strongly supports the evolution of a more open political system in Paraguay, in which freedom of the press and expression are protected and all democratic parties can participate.

Peru

Congress, President	Apr 1985	**Apr. 1990**
Municipal	Nov 1986	**Nov. 1989**

Peru returned to democratic rule in 1980, ending 12 years of military dictatorship. The new constitution, promulgated in 1979, provides for the separation of powers among an executive (president), a bicameral legislature, and a judiciary; one 5-year term for the president; a second-round balloting system in presidential elections; and enfranchisement of illiterates. In the 1980 elections, Fernando Belaúnde Terry, whom the military had ousted in 1968 when it came to power, was elected president. In April 1985, Peru again had free and fair elections for a president, two vice presidents, and 240 members of the two houses of Congress. In July 1985, the Popular Action Party of President Belaúnde turned power over to the rival American Popular Revolutionary Alliance Party (APRA) of President Alán García marking the first transfer of power between democratically elected civilian presidents in 40 years. APRA also gained a majority in the Congress. Nationwide municipal elections in 1980, 1983, and 1986 have reinforced the democratic trend and have recently brought local self-government to many rural communities for the first time.

APRA, founded by Víctor Raúl Haya de la Torre in 1928, was Peru's first mass political party. Inspired by the Mexican Revolution, APRA has been both anti-imperialist and anti-Marxist. Over the years, it has evolved into a social democratic party; it champions integration of all of the disparate elements of the Peruvian population into the country's society. The center-right Popular Christian Party favors a greater role for private enterprise in the economic development of Peru. The United Left (IU) is a coalition of leftist parties, including two communist organizations and entities further to the left of the communists. In the 1983 municipal elections, the IU won the mayoralty of Lima, Peru's capital and largest city; the APRA candidate won this position in the 1986 local elections. Ex-President Belaúnde's Popular Action Party fared badly in the 1985 national election and became a minority party.

St. Christopher and Nevis

Parliament	May 1984	**By 1989**

St. Christopher (commonly called St. Kitts) and Nevis, which became an independent member of the Commonwealth in 1983, has a parliamentary system of government with an elected House and an appointed Senate. Prime Minister Kennedy A. Simmonds, leader of the People's Action Movement, rules in coalition with the Nevis Reformation Party, led by Simeon Daniel. This coalition government returned to power in a peaceful, democratic election in 1984. The leader of the opposing St. Christopher-Nevis Labor Party, Lee Moore, lost his seat in the 1984 elections, thus limiting his ability to challenge the present government.

St. Lucia

Parliament	May 1982	**By 1987**

St. Lucia—an independent nation within the Commonwealth since 1979—is a parliamentary democracy in the British tradition with an elected House of Assembly and nominated Senate. Elections are constitutionally due every 5 years and have been free, fair, and keenly contested. The centrist St. Lucia Labor Party (SLP) won the first postindependence election in 1979 but was brought down by internal squabbling and economic decline. The governing United Workers Party, a conservative party led by Prime Minister John Compton, won the 1982 elections. The Progressive Labor Party, a leftist splinter group of the SLP, is the only other major opposition group but is seen as unlikely to attract any significant electoral support.

St. Vincent and the Grenadines

Parliament	July 1984	**By 1989**

St. Vincent and the Grenadines is a British-style parliamentary democracy with an elected House of Assembly (lower house) and an appointed Senate (upper house). The country has been an independent member of the Commonwealth since independence in 1979. Elections are due every 5 years and have been free, fair, and keenly contested. Five parties contested the 1984 elections. The two major parties are Prime Minister James Mitchell's New Democratic Party and the opposition St. Vincent Labor Party of newly elected leader Vincent Beache. Both parties are centrist. The three nominally radical parties that contested the 1984 elections were resoundingly defeated.

Suriname

Until a violent military coup in February 1980, Suriname was a functioning democracy with a history largely free of violence. The last national elections—and the only ones held since independence in 1975—were the parliamentary elections of 1977. The new military government, headed by Lt. Col. Desiré Bouterse, suspended the constitution and placed effective power in the hands of a five-member military authority, subsequently reduced to its current two members. In August 1985, Bouterse, the chairman of the military authority, was made head of government. In January 1985, a 31-member National Assembly was appointed; 14 members were nominated by the military, and 17 were nominated by the labor unions and a business association. The assembly was tasked with drafting a new constitution. The military authority announced in December 1986 that the constitution would be ready by March 1987. The constitution is expected to be submitted to a popular referendum by September 1987. General elections are scheduled to be held no later than March 1988. In July 1986, a new cabinet composed of representatives of military, labor, and business groups, as well as of the three traditional political parties, was appointed to implement a program of political and economic reforms. The nature of this program has not been further defined.

Trinidad and Tobago

Parliament	Dec 1986	**By 1992**

Trinidad and Tobago achieved independence in 1962, initially retaining the British monarch as head of state. The country became a republic in 1976, replacing the hereditary monarch, represented by an appointed Governor General, with a president as head of state. The government is a Westminster-style parliamentary democracy in which the executive and legislative branches are interdependent; the judiciary is independent. The nation's bicameral Parliament has a maximum term of 5 years. There have been six parliamentary elections since independence. The first five elections were won decisively by the Peoples' National Movement (PNM), formerly headed by late Prime Minister Sir Eric Williams. In the December 1986 general elections, however, the center-to-left National Alliance for Reconstruction, under the leadership of A. N. R. Robinson, resoundingly defeated the ruling PNM.

Uruguay

President, Congress	Nov 1984	**Nov. 1989**

Uruguay has one of the longest democratic traditions in Latin America, and voting is taken very seriously. The advent of military rule in 1973, in the wake of long-term economic decline and a serious problem of insurgency and terrorism, is seen by almost all Uruguayans as an anomaly in the country's political history. The return to democratic rule, marked by the inauguration of President Julio Maria Sanguinetti for a 5-year term in March 1985, following elections in November 1984, was supported by the vast majority of Uruguayans. Voter turnout was estimated at more than 90% of the electorate. The victorious Colorados won 41% of the vote, followed by 35% for the Blancos and 22% for the Broad Front. These parties now hold roughly those same proportionate shares in the bicameral legislature. In addition to the Colorado and Blanco parties, a third political factor is the leftist Broad Front coalition, including Christian Democrats, Social Democrats, socialists, and communists.

Venezuela

Congress, President	Dec 1983	**Dec. 1988**

Venezuela has had a democratic government since the dictatorship of Gen. Marcos Perez Jimenez was overthrown in 1958. Presidential elections are held every 5 years and are preceeded by years of campaigning. In the last four elections, the opposition party has won and been duly seated. In the 1983 elections, Social Democratic candidate Dr. Jaime Lusinchi was elected president. The central government has considerable power since state governors are appointed, not elected. There are municipal elections for aldermen every 5 years, shortly after the national elections. Although there are a variety of small parties, including the Communist Party, which cover the entire political spectrum, power has alternated between the two major parties, the Social Democrats (Accion Democratica) and the Christian Democrats (COPEI). Venezuelans are enthusiastic supporters of democratic elections and encourage electoral activity in other Latin American and Caribbean nations with less experience.

Dependent Territories

Anguilla

House of Assembly	Mar 1984	**By 1989**

The British monarch is represented by an appointed Governor, who presides over an elected Executive Council and a House of Assembly. Chief Minister Emile Gumbs led his Anguilla National Alliance to victory in March 1984 over the opposition Anguilla People's Party.

Aruba

Parliament	Nov 1985	**By Nov. 1989**

On January 1, 1986, Aruba became an autonomous state within the Kingdom of the Netherlands. Prior to this date, Aruba formed part of the Netherlands Antilles. The Aruban Government is a parliamentary democracy. General elections for the 21-member Parliament are held every 4 years. A free election was held on November 22, 1985, to choose the Island Council, which became the National Legislature when Aruba achieved separate status.

British Virgin Islands

Legislative Council	Sept 1986	**By 1991**

The British Virgin Islands is a British dependent territory governed by an appointed Governor and an elected local government. Former Chief Minister Cyril Romney's government fell to a vote of "no confidence" in August 1986. Elections in September 1986 brought Chief Minister Lavitty Stout's Virgin Islands Party to power.

Cayman Islands

Legislative Assembly	Nov. 1984	**Nov. 1988**

The Cayman Islands is a British dependent territory with a parliamentary form of government. The Legislative Assembly consists of 12 elected members and three official members. There are no political parties in Cayman, though loosely structured "teams" of like-minded politicians have banded together to contest elections. The last election took place in 1984. Elections must take place at least every 4 years.

Montserrat

Legislative Council	Feb. 1983	**By 1988**

Montserrat is a British crown colony. Elections are held every 5 years. In March 1983, Chief Minister John Osborne was reelected, but his People's Liberation Movement lost two of its seven seats in Parliament to the opposition People's Democratic Party.

☐ Type of election(s) ☐ Date of most recent election(s) ☐ Date of next election(s)

Netherlands Antilles

Staten	Nov 1985	**By Nov. 1989**

The Netherlands Antilles is an autonomous part of the Kingdom of the Netherlands. The government is a parliamentary democracy. There are two levels of government: the central government and the local governments of the island territories of Curaçao, Bonaire, St. Maarten, St. Eustatius, and Saba. General elections for the 22-member Staten, or parliament, and for the Island Councils are held every 4 years.

Turks and Caicos Islands

Legislative Council	May 1984	**To be determined**

The Turks and Caicos Islands is a British Crown Colony. The government consists of a Governor appointed by the Queen and an 11-member elected Legislative Council. The People's National Party (PNP), headed by Norman Saunders, won eight seats in the May 1984 election. Saunders was appointed Chief Minister but had to resign when he was arrested and subsequently convicted of narcotics trafficking offenses in the United States. Nathaniel Francis replaced Saunders as Chief Minister but resigned in 1986 when a Commission of Inquiry established by the Governor found Francis and two of his ministers unfit to hold public office. The commission also found the leader of the opposition party to have been involved in a conspiracy to commit public order offenses to overthrow the Francis government. As a result of these internal difficulties, the constitution was amended by an Order of Council that replaces the Executive Council, drawn from elected members of the Legislative Council, with an Advisory Council, nominated by the Governor. The constitution is currently under review.

French Overseas Departments

French Guiana

National	Mar 1986	**By 1991**

French Guiana normally holds elections every 5 years. It elects one Senator and one Deputy to the French Senate and National Assembly.

Guadeloupe

National	Mar 1986	**By 1991**

In Guadeloupe, elections are open, democratic, and actively contested by parties on both the left and the right. Voter turnout is traditionally low; often fewer than 40% of registered voters cast ballots. As a French overseas department, Guadeloupe's political parties are essentially local versions of those competing in metropolitan France. Communists and socialists compete independently of each other on the left, while disagreements have led to the formation of separate *Union pour la Democracie Française and Rassemblement pour la République* slates on the right. Guadeloupe's northern dependencies, St. Martin and St. Barthelemy, operate as separate political entities but retain representation in the regional and general councils located in Guadeloupe.

Martinique

National	Mar 1986	**By 1991**

An overseas department of France, Martinique enjoys an open political system. In recent years, elections in Martinique have been highly competitive and often very close, with strong, well-known local candidates heading up tickets offered by both the right and the left.

> ***"Twenty-five years ago, when the Alliance for Progress was first launched, the entire hemisphere seemed to discover that there could be no long-term security without economic development. Today, we are learning a new lesson: in addition to the nexus between security and development, there is a second nexus—this one between security and democracy."***
>
> **Elliott Abrams,**
> **Assistant Secretary of State**
> **for Inter-American Affairs,**
> **to the Inter-American Defense**
> **College, Washington, D. C.,**
> **June 13, 1986**

Additional Information

Recent steps to strengthen the rule of law in Latin America and the Caribbean are summarized in U.S. Department of State Special Report No. 145, "Hemispheric Cooperation in the Administration of Justice," April 1986. The role of the military within a democracy is the subject of Current Policy No. 844, "A Democratic Vision of Security," an address by Assistant Secretary of State Elliott Abrams before the Inter-American Defense College, June 13, 1986. U.S. support for democracy in Central America in accordance with the recommendations of the National Bipartisan Commission on Central America (the "Kissinger Commission") is extensively documented in the report to the President from the Secretary of State, Special Report No. 148, "The U.S. and Central America: Implementing the National Bipartisan Commission Report," August 1986. The progress made in one particular case also is summarized in "Guatemala's Transition Toward Democracy," Public Information Series, November 1986. Special Report No. 132, "Revolution Beyond Our Borders: Sandinista Intervention in Central America," September 1985, examines in detail the manner in which a powerful minority proclaimed itself a vanguard committed to revolutionary internationalism and sought to undermine elections and democratic reforms.

These materials and others on U.S. foreign policy and U.S. relations with Latin America and the Caribbean are available by writing to the Bureau of Public Affairs, Room 5815A, United States Department of State, Washington, D.C. 20520, or by telephoning (202) 647-6575.

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SUMMARY OF THE STUDY

PART I—COMMITMENT IN PERSPECTIVE

Two previous studies prepared by the Congressional Research Service, published in 1977 and 1981 by the House Foreign Affairs Committee, suggest the following generalizations: (1) That the Soviet Union maintains a firm and active commitment to the Third World; and (2) that the Third World holds an important, perhaps even vital, place in the Soviet world view.

The principal purposes of this current study are to analyze Soviet activities in the Third World during 1980–85 and to determine whether these generalizations are still valid. The study, subdivided into six parts, is structured around four basic questions: Trends in the Soviet experience, the rationale and instrumentalities of Soviet policy, the meaning of its involvement, and the implications for U.S. foreign policy.

The limitations of the study derive from the magnitude of the Third World and from the diversity and complexity of Soviet policy. At best the study seeks only to suggest the main thrust and broad lines of Soviet Third World policy, concentrating on the non-Communist regions of Asia, the Middle East, Africa, and Latin America.

TRENDS, OBJECTIVES, AND INSTRUMENTALITIES OF SOVIET THIRD WORLD POLICY: A RETROSPECTIVE GLANCE

The Third World is a new source of international power and influence; it is a principal element in Soviet foreign policy. The importance of the Third World derives from its physical attributes, its political organization and activities, and its geopolitical and geostrategic potentialities. The Third World is a powerful force enabling it to apply pressure internationally. It has been and continues to be the focus of major and minor regional conflicts in the postcolonial era.

Soviet objectives in the Third World are ideological, political, economic, and strategic. The destinies of Third World countries are said to be linked ideologically to the Soviet Union, and an unchanging Soviet ideological objective is, therefore, to reinforce that linkage. The Soviets understand the great political value of the Third World in that it presents the opportunity and the instrumentality for expanding and globalizing Soviet influence and power. Economically, the Third World serves as a market for Soviet economic goods, military weapons, and a source for raw materials. Denial of resources, trade, and political support of the Third World to the West would weaken their "imperialist" adversary. The Soviets have strategic interests in the Third World, and the shift of their policy from traditional continentalism to globalism has placed a burden on strategic requirements. For these reasons the Third World is important in Soviet foreign policy and the composite of purposes suggest a surge toward globalism.

The Soviet Union has used multiple instruments for pursuing its multiple goals in the Third World: Economic aid and trade; military assistance and use of military power for political purposes; policies and actions that support Third World causes and interests while simultaneously serving those of the Soviet Union; and international radio broadcasting and cultural diplomacy. All instrumentalities are directed at the "national liberation zone," areas of strategic, economic and political importance in Asia, the Middle East, Africa, and Latin America. The transcending goal is to expand Soviet power and influence and to deny that of the United States, its allies, and China.

Soviet policy in the Third World has passed through four stages since 1945: One of hostility under Stalin; commitment and adventurism under Khrushchev; constraint and then expansionism under Brezhnev; and restraint and caution in the late Brezhnev and early Andropov era.

26TH SOVIET COMMUNIST PARTY CONGRESS: BREZHNEV'S REFLECTIONS ON THE THIRD WORLD

Brezhnev devoted a major part of his main report to the 26th Party Congress in February 1981 to the Third World. He emphasized successes in the national liberation movement at the expense of the former colonial powers, making a clear differentiation among the liberated countries. He reaffirmed the Soviet commitment to the Third World, citing such concrete evidence of support as treaties of friendship and cooperation, extensive Soviet economic, scientific, and technological cooperation, and military assistance on request.

In viewing the Third World within the larger context of international, East-West, and North-South relations, Brezhnev placed the Soviet Union squarely in the corner of the Third World and against the United States and the other "imperialist" powers. He made specific peace proposals bearing on Third World areas, designed to coincide with further Soviet policy interests. Brezhnev showed deference to the Third World countries, but only in a very general way. He reserved the highest praise for India which occupies "a major place" in Soviet relations with the liberated countries. In brief, Brezhnev seemed to have a good word for everyone in the Third World; he was out to win new friends, consolidate old friendships, and contribute to building a political environment in which Soviet policy could flourish.

Brezhnev reaffirmed the Soviet commitment to the Third World, but it is a commitment marked by caution and restraint, quite in contrast to his vigorously expressed triumphant views at the 25th Party Congress when Soviet expansionism was reaching a high point. This changing approach to the Third World suggests the possibility that the 1980's may not be the time for Soviet adverturism in the Third World, as exemplified by intervention in Angola and Ethiopia, but rather a time of greater restraint and caution—a time for backing off, recalling the carefully measured and rationalized commitment in the early Brezhnev years following the near decade of Khrushchev's often excessive adventurism.

ANDROPOV'S VIEWS ON THE THIRD WORLD

Continuity of policy was not broken when Andropov succeeded Brezhnev as Secretary General in November 1982, even to the most recent trend toward caution and restraint. Since assuming leadership, Andropov has concentrated primarily on East-West relations in his foreign policy speeches and other utterances and has given relatively short shrift to the Third World. He expressed Soviet sympathies for the LDC's, but only in general terms, and refrained from the verbal assertiveness apparent in Brezhnev's statements in the mid- and late 1970's. He acknowledged the dire economic conditions facing the Third World, but offered nothing more than moral support of the Soviet Union. Clearly, in the economic realm the word went out, as it had under Brezhnev, that the Third World must resolve its own problems and not necessarily look to the Soviet Union for assistance, particularly in areas where costs are not clearly matched by benefits. "Self-help" seems to be the watchword in current Soviet Third World policy. But low-cost targets of opportunity (e.g., Grenada) where political support and military assistance exact no great price would appear to be acceptable.

VIEWS OF SOVIET FOREIGN POLICY SPECIALISTS

Soviet specialists on the Third World have provided the leadership with a range of options upon which to build policy. Thus Soviet Third World policy in the 1980's may not necessarily reflect the whims and caprices of a particular leader (as in the case of Khrushchev), but rather rest upon serious study within the Marxist-Leninist context.

Marked differentiation in approaches to the Third World lies beneath the veneer of propaganda that conveys an apparent consensus in Soviet policy. Soviet foreign policy specialists differ in their analyses of the Soviet role in the Third World and sometimes offer radically different prescriptions to Soviet policymakers.

Soviet thought on approaches to the Third World is, therefore, by no means linear. The acknowledged complexity of Third World problems produces distinctive variations in the writings of Soviet scholars. Altogether they suggest creativity and intellectualism, but within accepted contextual dogma officially established rules and assumptions. Also, the commentaries by these specialists focus mainly on economic development in the Third World. Little or nothing is said about military assistance. And yet military aid, along with generous political support, as will be shown below, is a major component of Soviet involvement in the Third World. Unlike economic aid, it is a means for spreading Soviet influence and power "within the budget." And while questions may arise among Soviet leaders and scholars about the extent of commitment on the economic level, such reservations appear less often on the policy of military assistance.

PART V—LATIN AMERICA IN SOVIET THIRD WORLD POLICY, VARIATIONS ON REVOLUTION AND TRADITIONALISM

THE VIEW FROM LATIN AMERICA

Latin America is a major configuration of power in world affairs. Yet only in recent years has it attracted Soviet attention. "Geographic fatalism"—meaning close proximity to the United States and thus geopolitically within its sphere of influence—had placed limitations on Soviet interests and activities.

Two developments in the post-World War II era changed the context of the Soviet role in Latin America and altered Latin American perceptions of the Soviet Union and its own role in international relations: The "multipolarization" of power in world politics, and the emergence of détente in East-West relations. Both developments held out the opportunity for Latin American countries to expand their relations with Moscow and play a larger and more independent role in world affairs.

A second major influence shaping the Latin American perspective is the anticolonial tradition in their history and the resulting resentment of U.S. hemispheric "hegemony." The Soviets have been able to exploit this negative attitude to their own political advantage, submerging their own culpabilities, such as, the conquest of Eastern Europe and the invasion of Afghanistan.

A vigorous revolutionary tradition also permeates the Latin American region that has affected its outlook. Three distinct traditions seem to have shaped Latin American views on politics and political philosophy: The Iberic-Latin tradition; democratic idealism fostered by the Enlightenment; and Marxist Socialism. Distressing political, social, and economic conditions—"anguishing conditions," it is said—have acted as a catalyst for revolution.

All of these influences appear to have had a maturing effect on Latin America. For not only has Latin America come to have its own distinctive hemispheric interests, but also the desire and often the wherewithal to seek and achieve those interests independently, bilaterally, or collectively. Latin Americans, like so many other Third World peoples, began to see new opportunities in a changing international environment, and when possible, they took them.

Thus, the view from Latin America has changed markedly in the three decades since the Soviets moved out into the Third World. No longer a dependency of the United States, it projects a different image, one of markedly greater confidence, maturity, and independence.

THE VIEW FROM THE UNITED STATES

The United States views Soviet encroachments into Latin America as a contending superpower determined to protect its vital national security interests and ultimately to reassert a historic position of power, but not predominance, in the Western Hemisphere.

Three elements seem to constitute the American perspective on Latin America: The historical, the geostrategic, and the regional. U.S. success in national expansion has been at the expense of Hispanic America. This historical experience left a residue of resentment mixed with envy among many Latin Americans. American hemispheric power evolved within the textual confines of the Monroe Doctrine that ruled out further European colonization and called the extension of the European system to the Western Hemisphere "as dangerous to our peace and safety."

Castro's revolution in Cuba during 1959–60 opened a new era in U.S.-hemispheric relations. For Cuba was to become an effective instrument and Castro a "point man" for Soviet policy not only in Latin America, but also in Africa and within the nonalignment movement.

The second element in the American perspective is the geostrategic; that is, the inclination to see the region, particularly vulnerable Central America and the Caribbean Basin, within the context of the Soviet-American global rivalry and specifically in terms of U.S. security requirements. Of particular concern to the United States is the security of vital sealanes of communications in the Atlantic, Caribbean, and Central American region from any Soviet threat.

In contrast to the geostrategic, the regionalist perspective, the third element in the American perspective, tends to go to the source. Regionalists seem more inclined to view Soviet involvement in the hemisphere from the Latin American side and look to the regional roots of the problem as a first priority. Unlike the geopoliticians who view the problem from an East-West perspective; that is, military weaponry, arms control, and defense strategy, the regionalists see it more clearly as a North-South problem, that is, one of regional development, human rights, and social questions. Both perspectives coexist, not necessarily peacefully, in the community of interested scholars, journalists, and specialists in the U.S. Government.

Thus, Americans view Latin America and Soviet involvement from many perspectives. They share a common historical experience with policies, a doctrine and its corollaries designed to expand, maintain, and protect American power in the Western Hemisphere. Adjustments have been made to suit changing times and requirements, at least until the introduction of Soviet power in the region. Since then, perceptions have mirrored the geopolitical needs of a superpower wanting to protect its global position and the regional needs of a hemisphere whose deprived and underdeveloped countries create fertile soil for revolution and Soviet-Cuban intervention. Though sharing a common history, Americans of the mid-1980's seem divided and thus uncertain on how best to address the current Soviet-Cuban challenge in Central America and the Caribbean Basin. This uncertainty and division can create opportunities for the expansion of Soviet influence in this Third World area.

THE VIEW FROM THE SOVIET UNION

Geographic, ideological, and geopolitical elements have constituted much of the Soviet view of Latin America. Until the Cuban Revolution, the Soviet Union had not paid much attention to the region. The doctrine of "geographic fatalism" seems to have been its guiding principle.

Marxist-Leninist ideology provides the larger philosophical construct within which the Soviets perceive Latin America. Latin America plays a key role in the fulfillment of the Soviet ideological view that the future belongs to socialism and that nations in the Third World are Russia's "natural allies" in seeking that end.

The geopolitical ingredient completes the triad of elements shaping the Soviet perception. Central to the Soviet worldview is the belief that the correlation of forces now favors the Socialist world and that world capitalism is in decline. From this view flows the belief that U.S. influence, even in its own "strategic backyard," Latin America, is on the wane. The Soviets have also come to value Latin America as playing an important role in international politics. Still, they are aware of the special importance Latin America has for the United States and the power that the United States can bring to bear.

The Soviets, therefore, seem to perceive Latin America from both the regional and geopolitical perspective. They are cognizant of the changing social structures of the nations and the force and appeal of revolution in such vulnerable areas as Central America. But their views are shaped by the concept of the changing correlation of world forces. This concept has significant geopolitical implications: It holds out the expectation of increased opportunities for spreading Soviet influence in the region; conversely, it recognizes the diminution of U.S. influence; and it acknowledges the growing independence of Latin America from U.S. hegemony—all of which have a fundamental effect on East-West relations since it has the potential for magnifying aggregate Soviet power and diminishing that of the United States.

The Soviets now view Latin America and deal with it essentially in three categories: Socialist Cuba, with its revolutionary ambitions in Latin America and elsewhere, and as a reliable Socialist ally internationally; the explosive Caribbean Basin and Central America where revolutionary ferment is intense and targets of opportunity are opening up; and finally, the settled, established governments of Mexico and much of South America where stability dictates the pursuit of traditional diplomacy.

Major trends in Soviet-Latin American affairs have followed roughly this three-part approach. Soviet objectives have also reflected the same categories of maintaining Socialist Cuba, seizing revolutionary opportunities in Central America and the Caribbean, and carrying on traditional diplomacy in Mexico and South America.

In pursuit of its objectives the Soviets have used instrumentalities differentiated by circumstance: Political, economic, and military. Soviet military assistance, a vital component of its Third World policy, has been the principal instrumentality for seeking its objectives in Latin America; trade and technical assistance, also important, seem to have been secondary.

CUBA, AN INSTRUMENT OF SOVIET POLICY

Socialist Cuba is an instrument of Soviet policy in Latin America and the Third World. Three points emerge in this relationship that bear directly on Soviet strategy: The ideological defects of Castro's revolution and its relevance to Soviet policy; the Soviet militarization of Cuba, transforming it into a disciplined and effective instrument of military power; and the use of this instrument in pursuing Soviet goals in Latin America and the Third World.

In using Cuba as an instrument of their foreign policy, particularly in the Third World, the Soviets have gradually escalated their support for Cuba, at least rhetorically, in its struggle with the United States. But in practice this support has been cautious and measured carefully in a calculus of risk and gain.

With Castro's experience as a model, the Soviets seem to have found the formula, having made the proper ideological adjustments, for allowing the transition of revolution-prone Third World countries from the inchoate state of "national liberation" to the rigidly structured socialism of the Soviet brand. The Soviets have also succeeded in militarizing Socialist Cuba, and they have also used Cuba, with mixed results, in pursuit of their own policy goals in relations with the United States, in Latin America, Africa, and elsewhere in the Third World.

Cuba and Castro have gained from this relationship. But the prominence of Cuba internationally is considerably compromised because it is due largely to Cuba's linkage with Soviet power and not something gained largely on its own. Cuban dependence on Moscow for its survival constricts its room for maneuver, making this an uneven relationship between a powerful patron and a willing, valued, but essentially weak client state. In this relationship, the Soviet Union still has the last word on matters that are important to it.

CENTRAL AMERICA AND THE CARIBBEAN: UPHEAVAL AND OPPORTUNITY

Political upheaval in Central America and the Caribbean in the 1970's created new, but initially unperceived, opportunities for Moscow. By 1979-80, this Third World region was considered to be "ripe for revolution." Cuba, a militarily strengthened regional power acting unilaterally and in concert with the Soviets, was to become both the point man and instrument of Soviet policy. Qualified success thus far seems to have been achieved in Nicaragua, though the ruling Sandinista regime faces serious economic problems and has a long way to go to establish any form of legitimacy for their rule. But failure in Grenada was assured when U.S. troops intervened in October 1983.

SOVIET UNION AND ARGENTINA: EMPHASIS ON TRADITIONALISM

Traditionalism, the third major category in the Soviet approach to Latin America, is characterized by pragmatism and expediency. Though fully cognizant of the various revolutionary movements in the region, the Soviets have, nonetheless, placed greater importance in recent years on state-to-state relations than on revolutionary relationships. A case study is Argentina. Briefly, the Soviets have carried on a fruitful economic relationship, despite mounting trade deficits to Moscow's disadvantage. A mutuality of interests has governed this relationship (Argentine grain and foodstuffs for Soviet assistance in energy development); and nowhere is this better demonstrated than in Soviet support for Argentina in the Falkland war.

Many aspects of traditional diplomacy are, therefore, apparent in Soviet relations with Argentina. State interests intersect at many points, and both countries, notwithstanding basic differences in social systems, have been guided by their national interests.

OPPORTUNITIES, RISKS, CONSTRAINTS, AND THE FUTURE

Soviet Third World policy in Latin America is an integral part of its total Third World policy. It is a whole with many parts, and the principles and policies, the instrumentalities and goals, institutional connections, and an enduring commitment appear to be only superficially different in Latin America from that of other Third World areas in Asia, Africa, and the Middle East.

Revolutionary opportunism is a dominant characteristic, as indicated by the Soviet moves into Cuba, Grenada, and Nicaragua. Diplomatic traditionalism, as in Argentina, serves a useful short-term Soviet purpose in Mexico and South America. But future Soviet-American confrontations are always a danger, particularly in light of Moscow's adventurous policy in Central America and the Caribbean. The Cuban missile crisis is the most accurate benchmark against which to measure U.S. tolerance of Soviet military activities in Latin America; Grenada is another and the most recent.

The Soviets have made many gains in Latin America during the past 5 years. They continue to maintain a strong presence in Cuba, though at an enormous cost to an ailing Soviet economy. They have succeeded in establishing a foothold in Nicaragua through their active support of the Sandinista regime. They have gained in their relationship with Argentina, but lost in their effort to convert Grenada into a staging area for the future projection of Soviet power.

The Soviets have had advantages, disadvantages, and constraints in Latin America. Advantages are inherent in the central unified control of the Soviet foreign policy process, the positive value of ideology, and their freedom from any burden of responsibility for past inequities in Latin America. Among the disadvantages and constraints are the serious limitations on Soviet foreign policy resources all across the board, notably their much troubled economy; the continuing validity of "geographic fatalism" despite so-called "breakthroughs" in Cuba and Nicaragua; and the sheer geographic size of Latin America, its philosophical roots in Western traditions that have generated the recent surge toward democracy, the predominance of Western cultural influences, the vast economic interconnections with the West—all act as a deterrent and constraint on the Soviets.

Soviet Third World policy in Latin America has far-reaching implications for both Latin America and the United States. The essence of these implications are the possibility of Soviet-American confrontations as the Soviets test American tolerance in their probes for expansionist opportunities and as the United States defends traditional interests in the Western Hemisphere. These confrontations, as in the Cuban missile crisis, could carry the worst case risk of war that neither the United States, the Soviet Union, nor even Latin America can escape.

As for the future, continuity in Soviet reliance on Cuba as an instrument of its Third World policy seems to be the more likely trend for some time to come. It also seems unlikely that the Soviets will break off their offensive in Central America, the region they judge to be most "ripe for revolution" and most vulnerable to diminishing U.S. influence and power regionally and globally. Diplomatic traditionalism in the stabler countries, from all appearances a reasonable success, seems unlikely to change.

Thus, developments in Soviet policy in the near future suggest little variation from its tripartite direction described in this study. Any change in course would seem to depend upon the impact of serious constraints and limitations on Soviet Third World policy, particularly the heavy demands on Soviet foreign policy resources, both military and diplomatic, and the overall burden of maintaining an empire stretching from Eastern Europe to Afghanistan and Cuba; the continuing loyalty of Socialist Cuba; the extent and effectiveness of U.S. counteraction against Soviet thrusts into Central America and the Caribbean; and the strength and effectiveness of a reconstituted inter-American system that is intended to collectively protect and preserve hemispheric interests and deter unacceptable and harmful Soviet encroachments into the Western Hemisphere.

PART VI—AND THE FUTURE?

Examination of Soviet involvement in the Third World since 1980, as recorded in the preceding five parts of this study, confirms the correctness of the generalizations set forth in the 1977 and 1981 studies published by the House Foreign Affairs Committee; namely, (1) that the Soviet Union maintains a firm and active commitment to the developing countries of the Third World; and (2) that the Third World holds an important, perhaps even vital, place in the Soviet world view of contemporay international relations. The Soviet commitment continues to be an enduring fact of international life affirmed by their words and their actions.

The Third World holds a central place in the Soviet view of contemporary international politics. Two elements, affecting Soviet Third World relations, make up this world view: The ideological connection between the Soviet Union and the Third World; and the underlying great power dynamics that normally operate in relations between nation-states without regard for time, place, or ideology. The unity of ideology with the great power dynamic creating the Soviet world view is a formula for unresolved conflict with the West. This idea together with the expansion of Russian power are realities of contemporary international life.

AN IMPERIAL BURDEN OR POLITICAL ASSET?

Great empires of the past have generally passed through various stages, from their inception and subsequent growth and expansion, to a period of success and prosperity, followed by decline and in some cases total disintegration and even extinction. By and large empires have taken on three forms, according to a recent study by Rand Corp: "internal empires," "contiguous empires," and "empires abroad." The Soviet Union falls into all three categories.

The question arises as to whether the imperial burden has not become too heavy for the Soviet Union to bear. It is now commonplace in the press, among Western government officials and scholars to consider the U.S.S.R. to be in something like Toynbee's degenerative stage of imperial "breakdown."

A review of Soviet activities in the Third World suggests that they have gained many political and strategic benefits from their Third World policy, notwithstanding the burden of empire they have assumed. It is impossible to balance total benefits and costs in such a global undertaking with anything but "impressionistic" judgments, particularly in measuring political assets, for in international politics there are political costs as well as benefits, equally unquantifiable. More precise judgments are possible for economic analyses and analogical comparisons with empires of the past as the Rand study has done.

The Soviets are aware that they are paying a high price for their efforts to maintain, consolidate, and expand their assets in the Third World, particularly in light of the added cost-producing economic problems besetting their "internal" empire at home and those troubling the "contiguous" empire within Eastern Europe. Soviet economists and Third World specialists have urged an easing of the economic burden and burden-sharing measures in the Third World. Their analyses have made a visible impact on recent Soviet leaders.

Soviet behavior in the 1980's suggests that the political and strategic benefits to be accrued in the Third World may be well worth the cost, for the Soviets have continued to seize "targets of opportunity" and expand upon them. Nor have the Soviets appeared to reduce but rather have continued to expand their political and military commitments in the Third World. In an impartial, objective weighing of imperial costs and benefits (though from the American perspective), Rand specialists conclude that from the Soviet view, in the aggregate the benefits of empire may amply justify the costs, and this suggests to these American specialists that Soviet efforts to expand are likely to continue.

At this juncture in the 1980's, the Soviets give the impression of having an empire in place and of pursuing a role in the Third World that is both an economic burden—but apparently thus far not an unbearable one—and a political and strategic asset. Whether the cautions of Soviet analysts who advise constraints on future commitments will influence Gorbachev's policies should be a matter of close U.S. attention.

IMPLICATIONS FOR U.S. FOREIGN POLICY

The Soviet Union has established a global presence, but its power is largely one-dimensional; that is, military, and accordingly lacks the sort of systemic ideological and socioeconomic appeal that could broaden and deepen its hold on allies and clients, making their relationship more lasting. The one-dimensional character of Soviet power and the adversarial philosophy underpinning and driving its foreign policy pose a challenge of the first magnitude to the U.S. world position.

Internationally, the Soviets have pursued a "strategy of disruption" by projecting power through military/political allies in Third World strife, while intimidating U.S. allies (as in the antinuclear movement). The Soviets have also sought to encourage trends hostile to U.S. interests in strategically vital areas of the Third World that have the greatest potential for affecting the global political-economic balance.

The U.S. response to Soviet thrusts into the Third World has turned full cycle since the publication of the first House Foreign Affairs Committee study on this subject in 1977. Then, the United States was caught up in the so-called "Vietnam syndrome" that virtually paralyzed policy, making difficult, if not impossible, a forceful reponse to Soviet and Cuban initiatives in Angola and Ethiopia. Restricted by this national mood of withdrawal from military and sometimes political involvement in far-off regions of the Third World, American policymakers seemed hard pressed to counter this and other Soviet challenges in the Third World. On the other hand, the United States did pursue an activist, internationalist policy as in concluding the Panama Treaty and Camp David Accords, and mounting a forthright human rights campaign internationally.

In a reversal of policy, brought on by the Soviet invasion of Afghanistan in 1979, the United States finds itself in the mid-1980's again on the political frontiers of the Third World, forcefully asserting a policy of global containment. The transcending reality of the mid-1980's is that the Soviet Union by its global military power has broken through the American policy of geographic containment first proclaimed in the Truman doctrine of 1947. In this progressive process, covering three decades, Soviet strategic and political purposes in the Third World have been clear; namely, to build an infrastructure to buttress its policy of expanding globalism. And for the West at this historical stage of transition from colonialism to interdependence in the Third World, the problem it faces has become equally clear; namely, how to reformulate its position in the Third World and adapt it to new conditions, doing so patiently and in a sustained incremental adjustment to preserve its vital interests now in contention with the Soviet Union.

Students of Soviet-American relations could now experience a sense of deja vu. Presently, the United States and the Soviet Union have undertaken what may well be far-reaching arms control negotiations in Geneva. Despite U.S. efforts to reach agreement in this critical arms control area through negotiations since 1982, the Soviet Union, while negotiating, has continued to test and probe opportunities in the Third World and intervene if necessary. The Caribbean and Central America have been prime target areas.

In the mid-1970's, virtually the same general situation had existed: The Soviet Union and the United States were negotiating SALT II that was concluded in June 1979; simultaneously, the Soviets intervened in Angola, Ethiopia, and elsewhere in the Third World. Brezhnev perceived no contradiction between détente based on arms control with Soviet support for "wars of national liberation" in the Third World.

In brief, the Soviets then as now seem to want it both ways; that is, nuclear stability in Europe and in East-West relations generally, but freedom to pursue Communist revolutionary goals in the Third World. Hence, the United States and its Western Allies face the same dilemma that perplexed them a decade ago; namely, how to resist multidirectional Soviet expansionism while simultaneously negotiating agreements to minimize the chances of nuclear war.

Other factors affecting the United States in pursuit of its policy of global containment are the limitations on its power and the difficulties in establishing a code of conduct for managing Soviet-American rivalry in the Third World.

Efforts to establish such a code have thus far failed. And given the power dynamics driving the Soviet-American rivalry and their incompatibly opposite ideological world views, the chances of establishing a workable code in the Third World seems very slight, except perhaps for selected areas of common interest and except in the long term. Perhaps the most that can be said is that arms control negotiations could at some point in the future contribute to an acceptable balance of power upon which an agreement could be concluded. And, as in SALT I, an arms control agreement negotiated on this basis could enhance prospects for establishing a code of conduct for the superpowers in the Third World.

THE THIRD WORLD IN THE SOVIET AND AMERICAN FUTURE

Perhaps the most important point in considering the Third World in the Soviet-American future is whether Soviet expansionism is a permanent or transitory feature of Soviet foreign policy. If it is permanent, then the Third World, the area most vulnerable to Soviet penetration, could become, as CIA Director William J. Casey foresees, "the principal U.S.-Soviet battleground for many years to come." If it is transitory, then it will cease to spur forceful counteraction by the United States and its allies, opening up an opportunity for establishing a greater range of harmony of interests in the absence of systematic, zero-sum conflict.

Russian expansionism is an historical reality, a fact of history given renewed stimulus in the Soviet period by its ideological and systemic commitment to global aggrandizement. Russian expansion has had three differentiated characteristics; namely, that of an "internal empire," "contiguous empire" in Eastern Europe and Mongolia; and an "empire abroad" in the Third World. What the Soviets seem to have in mind for a future world Socialist system are those characteristics that the Rand study would term an "empire abroad." Competition for and ultimately gaining influence over Third World countries rather than direct physical control, as in Eastern Europe, seems to be the principal characteristic of this expected relationship as, for example, that now existing with such Third World countries as Vietnam, North Korea, Cuba, Ethiopia, Syria, and, arguably, India.

Thus, if Soviet expansion leads to some form of world Socialist system allying the Soviet Union with the Third World, which they claim to be a natural historical development, it would seem more likely to be one that has evolved out of coalescing political interest among likeminded Third World Socialist states rather than a form of physical "domination" in the classic imperial sense.

Whether Soviet expansionism will continue can only be a matter of speculation. The historical record suggests, as the Rand study concludes, the likelihood of continuing Soviet efforts to expand their power, particularly when the political and strategic benefits of empire may amply justify the costs in the Soviet view. Yet in the long term the costs of empire could become too great, particularly if the socioeconomic problems now plaguing the Soviet Union are not corrected and the costs of Third World adventures grow. This and the awareness of failing to achieve cost-effectiveness could dictate some retrenchment.

ALTERNATIVE DIRECTIONS: MILITARISM OR GLOBAL INTERDEPENDENCE

Assuming that Soviet expansion into the Third World will continue at its present pace, the question arises as to which direction it may take. For the sake of analysis two hypothetical possible polar opposite directions are projected: One toward continuing militarization; the other toward achieving global interdependence, meaning a shared responsibility for solving global problems.

Whether the Soviets will take the path predominately toward militarism with all its serious consequences for Soviet security and world peace, or global interdependence through shared solutions to world problems can only be speculated. More likely they will opt for a mix of the two. This suggests an extension, more or less, of current Soviet policy with emphasis on maintaining military strength in order to preserve "equal security" with the United States, retain a hedge against U.S. superiority and protect the Soviet Union against perceived threats stemming therefrom. Sustained military strength also provides the Soviets with an instrument, albeit limited, for maintaining and expanding their influence in the Third World. It is also compatible with a pursuit of global interdependence, but perhaps only at a minimum level of activity as Soviet national interests may dictate.

What the United States does in the realm of international security will no doubt impact considerably upon the Soviet choice. The main focus of this study is on the Soviet Union, but the idea of alternative paths of militarism and global interdependence, hypothesized here for analytical purposes, applies also to the United States. The serious risks of militarism and the positive value of global interdependence have universal application.

Developments in both Soviet-American and international relations appear to be converging in the mid-1980's, bringing a choice of direction by both superpowers. The first step has already been taken with resumption of arms control negotiations in Geneva. Whether this first step will lead to consideration of larger issues of interdependence on the global agenda—establishing, for example, a code of conduct for the superpowers in the Third World—can at this juncture only be a hope and not an assured prospect.

THE THIRD WORLD IN THE CONTEXT OF CIVILIZATION

A review of the Soviet role in the Third World as presented in this study reinforces the prediction that the less developed countries "will be the principal U.S.-Soviet battleground for many years to come." Regional volatility and Soviet-American rivalry have created conditions that invite tensions and conflict.

A central idea, indeed the driving force, in the Soviet-American rivalry in the Third World, as seen from the West's perspective, is the matter of the Third World's future social organization. Simply stated, the power factor aside, the issue is the ideological struggle between the principles of Marxism-Leninism as interpreted and proselytized by the Soviet Union pitted against the principles of democratic capitalism advocated by the United States and democratic socialism, an acceptable compromise with Marxism based on political pluralism prevalent in Western Europe. (Of course, neither of the contesting forms may ultimately be accepted by the Third World nations who bring their own interest and perspectives to bear.) The Soviets enjoy certain advantages in the advocacy of their brand of socialism. But they have little to offer in the future social organization of the Third World beyond what their military power and military assistance can give and beyond providing an alternative source of political support in international politics.

In contrast, the United States, NATO Europe, and Japan—in brief, the industrialized democracies of the world—have much to offer the Third World, not only in the material and intellectual resources of their scientific-technological civilization, but, equally important, the organizing principles of pluralistic democracy. It is not surprising, therefore, that Third World countries turn to this source for support, sustenance, and ideas, for they have in the prospering countries of non-Communist Asia variously adaptable models for success in the modern world. Ironically, but realistically, even China now looks mainly to Japan and the industrialized West, not to Moscow (except for improving Soviet-built factories), for assistance in its current modernization drive. This appeal of the Western market economies to the Third World seems to represent perhaps another stage in the globalization of the ideas, values and knowledge of non-Communist Western civilization.

The industrialized democracies of the West and Japan, having achieved great things in the course of the evolving scientific-technological revolution, have the upper hand over the Soviets. Nonetheless, the struggle to influence the shape of future civilization in the Third World continues; and Soviet military power, Marxist-Leninist ideology aside, still remains a powerful force with which to contend. Were the ideological struggle resolved, the contest for power would still continue in a way that such contests have historically occurred between competing great powers.

DIPLOMACY AND NEGOTIATIONS: PROVIDING A MARGIN OF SURVIVAL

The future holds the answer to the final outcome of this contest. Perhaps all that can be certain in this relationship of uncertainties is the generally accepted and simple truth that only through diplomacy and negotiations will it be possible for the United States and the Soviet Union to manage their rivalry without placing mankind in jeopardy. Alexis de Toqueville predicted this Russian-American contest 150 years ago in his projection of the destinies of these dissimilar countries.

Whether the Russians and Americans can shift their rivalry in the Third World from its increasingly conflictual and militarized direction back toward less confrontational and more political and economic competition is a question of the greatest significance for all mankind; the latter course, as both recognize, improves prospects for world peace and survival. Power, properly and acceptably balanced, can offer at least some assurance of peace, but only when it is integrated into the process of diplomacy and negotiations. In such a unity, this assurance can be reasonably complete; for it is diplomacy and negotiations, properly used, that can provide the vital margin of survival. The resumption of negotiations in Geneva could be the first step in that direction.

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PART I - Essential Recommendations of the Commission

Major Goals

The National Bipartisan Commission on Central America (NBCCA) found that the Central American crisis had indigenous roots in a long history of social injustice, maldistribution of national income, government oppression, and closed political systems. The crisis had been brought to a head by an ongoing international economic recession and Soviet-Cuban intervention in the region. The Soviet- and Cuban-supported Nicaraguan military build-up, the Sandinista export of revolution, and the Marxist insurgency in El Salvador were signs of a deteriorated security environment. Efforts to achieve peace, social progress, and economic well-being were undercut by extremist violence, subversion, and externally supported insurgency. Fundamentally, the crisis elements were political, security, and economic/social issues that were intertwined; none could be separated and each had an impact on the others.

Therefore, the analyses and recommendations of the NBCCA Report were organized around these three major categories. (See Appendix A for a list of the report's major recommendations and a summary of the report.)[2]

Reprinted from U.S. President (1981-: Reagan). Pertaining to additional economic assistance to the Central American democracies; message from the President of the United States transmitting the report of the Secretary of State, the Administrator of the Agency for International Development, and the Director of the Office of Management and Budget pertaining to their plan for funding assistance to the Central American democracies, pursuant to Sec. 205(c) of the Military Construction Appropriation Act, 1987 as contained in Public Laws 99-500 and 99-591. Washington, G.P.O., 1987. p. 15, 56-66. (Document, 100th Congress, 1st session, no. 100-42)

APPENDIX A

Table of NBCCA Recommendations

No.	Recommendation
1.	Organize summit of U.S. and Central American leaders.
2.	Increase private sector involvement.
3.	Establish USG role in renegotiation of official debt.
4.	Encourage renegotiation of private debt.
5.	Increase economic aid in FY 1984.
6.	More emphasis on housing and infrastructure.
7.	Provide trade credit guarantees.
8.	Revitalize the Central American Common Market (CACM).
9.	The U.S. should join the Central American Bank for Economic Integration (CABEI).
10.	Should be a major increase in other donor assistance to Central America.
11.	Authorize $8 billion in U.S. assistance funds and guarantees for five years, FY85-FY89.
12.	Appropriate funds on a multi-year basis.
13.	Require host government economic policy reforms.
14.	Help create a Central American Development Organization (CADO).
15.	Use economic aid to promote democracy;
15.1.	Promote community organizations and democratic institutions;
15.2.	Expand USIA's binational centers; and,
15.3.	Increase USIA's exchange programs.
16.	Help Central Americans to receive duty-free trade with other countries.
17.	Review U.S. non-tariff barriers.
18.	Promote exports from Central America and development of energy sources.
19.	Establish a venture capital corporation.
20.	Expand Overseas Private Investment Corporation (OPIC) insurance coverage.
21.	Promote small businesses.
22.	Accelerate agricultural development;
22.1.	Provide long-term credit for land purchases by small farmers;
22.2.	Study the holding of idle, potentially productive land;
22.3.	Improve title registration and the defense of property rights of farmers;
22.4.	Provide short- and medium-term credit for working capital improvements and equipment;
22.5.	Encourage pricing policies which protect the interests of both producers and consumers;

22.6. Encourage an equitable distribution of agricultural wealth, including agrarian reform and land-to-the-landless type of program;
22.7. Improve and expand rural infrastructure, e.g., roads, storage facilities, and rural electrification;
22.8. Increase rural research and extension programs;
22.9. Halt deforestation and environmental degradation; and,
22.10. Increase support for cooperatives.
23. Increase emergency food aid.
24. Increase funding for training and education programs;
24.1. The Peaçe Corps should expand recruitment of teachers to serve in a new literacy corps;
24.2. The Peace Corps should expand recruitment of primary, secondary, and vocationsl teachers to serve in a new Central American teachers corps;
24.3. Expand secondary-level technical and vocational education and apprenticeship programs;
24.4. Increase support for education programs in business and public administration;
24.5. Expand the International Executive Service Corps;
24.6. Develop a program for 10,000 government-sponsored scholarships;
24.7. Prepare and implement a plan to strengthen universities; and,
24.8. Subsidize translation, publication, and distribution of books and educational material.
25. Expand health and nutrition programs;
25.1. Increase technical assistance for health programs;
25.2. Eradicate vector-borne diseases, e.g., malaria and dengue fever;
25.3. Expand oral rehydration and immunization programs;
25.4. Train primary health care workers; and
25.5. Encourage adequate public investment in primary health care and in preventive and environmental interventions.
26. Continue AID population and family planning programs.
27. Strengthen judicial systems; impose sanctions against death squad members.
28. Support refugee programs.
29. Give more military aid to El Salvador.
30. Authorize multi-year funding of military aid to ensure predictability.
31. Military aid to El Salvador should be tied to periodic reports on human rights, progress toward free elections and elimination of death squad activities, and other political reforms.

Summary of Commission Report

Summary of Commission Report*

OUTLINE

The report, which was dedicated to Senator Henry Jackson and transmitted to the President on January 10, 1984, consisted of the following chapters:

1. Introduction and basic themes.
2. Placed crisis in larger hemispheric context.
3. Provided historical perspective.
4. Examined prospects for economic and political development; presented recommendations.
5. Discussed social issues -- health and education particularly -- and made recommendations.
6. Explored security issues and recommended U.S. action.
7. Looked at diplomatic aspects and offered recommendations on pursuing negotiated settlements.
8. Conclusion.

-On security and diplomatic issues, the report dealt with El Salvador, Honduras, Nicaragua, Guatemala, and Costa Rica. Panama and Belize were included for discussion of development programs.

MAJOR THEMES SET FORTH IN THE COMMISSION REPORT

-The crisis in Central America is acute. Its roots are indigenous -- in poverty, injustice, and closed political systems. But world economic recession and Cuban-Soviet-Nicaraguan intervention brought it to a head.

-The crisis will not wait. It must be addressed at once and simultaneously in all its aspects. Ultimate resolutions depend on economic progress, social and political reform. But insurgencies must be checked if lasting progress is to be made on these fronts.

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* From "The U.S. and Central America: Implementing the National Bipartisan Commission Report", Special Report No. 148, August 1986

-Indigenous reform, even indigenous revolution, is no threat to the United States. But the intrusion of outside powers exploiting local grievances for political and strategic advantage is a serious threat. Objective of U.S. policy should be to reduce Central American conflicts to Central American dimensions.

-United States has fundamental interests at stake: Soviet-Cuban success and resulting collapse of Central America would compel substantial increase in our security burden or redeployment of forces to detriment of vital interests elsewhere.

-As a nation we have deep and historic interest in promotion and preservation of democracy. Report concludes that pluralistic societies are what Central Americans want and are essential to lasting solutions. In this case, our strategic interests and our ideals coincide.

-Central Americans desperately need our help, and we have a moral obligation to provide it. The United States and other nations can make a difference. But, in the end, solutions will depend on the efforts of Central Americans themselves.

-Although there is urgent need for action, no quick solutions can be expected. The United States must make a long-term commitment and stick to a coherent policy.

-That policy can and should be bipartisan. Commission found wide consenus on principles and objectives.

POLITICAL AND ECONOMIC DEVELOPMENT

-Central American economies grew substantially during the 1960s and early 1970s. But income distribution was highly inequitable, except in Costa Rica and Panama.

-Trend toward more pluralistic political systems in El Salvador, Guatemala, and Nicaragua reversed in early 1970s.

-World recession and rising political violence had catastrophic effect on region's economies in late 1970's, early 1980s. All have declined dramatically. El Salvador's gross domestic product is off 25% since 1978.

-Even with successful stabilization programs and restored political stability, per capita wealth in 1990 would only be three-quarters of what it was in 1980.

-There must be substantial increase in outside assistance.

-Commission believes economic development cannot be separated from political and social reform. Objective must be parallel development of pluralistic societies and strong economies with far more equitable distribution of wealth.

-We propose a program of U.S. assistance designed to promote economic growth, democratization, and greater social equity.

-We encourage the greatest possible involvement of the U.S. private sector in the stabilization effort. Recommend the formation of an emergency action committee of private sector personalities to provide advice on new private-public initiatives to spur growth and employment.

Recommendations: An Emergency Stabilization Program

-Leaders of the United States and Central America should meet to initiate a comprehensive approach to economic development of the region and reinvigoration of the Central American Common Market.

-A $400 million supplemental in FY 1984, over and above the $477 million now in the budget for the seven countries. There is urgent need to stabilize economies now going downhill very fast.

-Focus this assistance on labor-intensive infrastructure projects and housing. Unemployment is a critical problem -- politically and economically.

-Establish a program to provide U.S. Government guarantees for short-term trade credits. External credit has dried up. Without it economies cannot be reactivated.

-Provide an emergency loan to the Central American Common Market to permit the reactivation of this vital organization. Lack of resources in the market to settle trade accounts among the countries has stalled it.

-U.S. Government should take an active role in the efforts to resolve the external debt problems of Central America and should encourage the countries that have not done so to seek multilateral rescheduling.

-Also encourage commercial banks to renegotiate at the lowest possible interest rates.

Recommendations: Medium and Long-Term

-Commission estimates $24 billion in net external exchange inflows needed by 1990 to foster a growth rate of 3% per capita, returning these countries to pre-recession levels of per capita wealth. About half -- $12 billion -- is expected to come from international institutions, other donor countries and loans, and investments from private sector sources.

-U.S. Government will have to provide as much as $12 billion if these financing needs are to be met.

-We propose, in this context, a program of $8 billion over next 5 fiscal years (FY 1985-89) in U.S. Government assistance. This would be divided very roughly into about $6 billion in appropriated funds and about $2 billion in contingent liabilities covering guarantees, insurance, and the like.

-Compared with current projections for FY 1985-89, these contributions would constitute an increase of about $2.8 billion in appropriated funds and $0.7 billion in contingent liabilities over the 5-year period.

-Urge that Congress authorize multiyear funding of this program. Commission believes firm, long-term commitment is essential. -To give form and structure to the development effort, suggest establishment of the Central American Development Organization (CADO). Perhaps one-quarter of U.S. aid could be channeled through CADO.

-CADO would consist of the United States and those countries of the seven willing to commit themselves to internal democracy and reform. Continued membership would depend on demonstrated progress toward those goals. Adherence to regional security pact also required.

-Nicaragua could participate by meeting these conditions.

-CADO's principal body would be a Development Council with tripartite, ILO [International Labor Organization]-style representation. Would assess program and progress toward economic growth, democratization, reform, and preservation of human rights.

-Other democracies would be invited to join.

Additional Recommendations

-Expanded assistance from the U.S. Government for democratic institutions and leadership training-neighborhood groups, cooperatives, binational centers, and visitor programs for leaders of labor unions, local governments, and other organizations.

-Require a firm commitment by the Central Americans to economic policies, including reforms in tax systems, to encourage private enterprise and individual initiative, to create favorable investment climates, to curb corruption where it exists, and to spur balanced trade.

-Urge extension of duty-free trade to Central America by other major trading nations.

-Review nontariff barriers to imports from Central America with a view toward using whatever flexibility that exists within the framework of multilateral agreements to favor Central American products.

-Establishment of the Central American Development Corporation -- a privately owned venture-capital company which could initially be financed by a loan from the U.S. Government.

-Recommend that the United States join the Central American Bank for Economic Integration.

-Technical and financial support for export promotion and a U.S. Government review of nontariff barriers to Central American imports.

-Expanded availability of insurance guarantees for new investments from the U.S. Government's Overseas Private Investment Corporation.

-Increased focus in assistance programs on small business and accelerated agricultural development-particularly in production of food for domestic consumption.

HEALTH AND EDUCATION

-Democracy and prosperity in the region require accelerated human development. Hunger, disease, and illiteracy sap a people's vitality and impede the growth of viable democratic institutions.

-Literacy rates are unacceptably low in several countries (e.g., Guatemala, 45%; El Salvador, 63%; Honduras, 60%), handicapping education efforts seriously.

-Widespread malnutrition also handicaps education by sending physically and mentally underdeveloped children to school.

-Goals should include a reduction of malnutrition, elimination of illiteracy, expanded education, health, and housing opportunities.

-Initial efforts must be to increase food assistance to Central America through the PL 480 programs.

-Commission calls for formation, under direction of the Peace Corps, of a Literacy Corps and a Central American Teachers Corps.

-To meet needs in higher education, U.S. Government scholarships should be raised to approximately 10,000 over 4-6 years, a level comparable to Cuban and Soviet Union efforts.

-Educational reform can also be encouraged in the areas of technical and vocational education through the expansion of the International Executive Service Corps and through closer cooperation with Central American universities to improve the quality of education.

-Judicial systems in Central America can be strengthened by providing resources for training judges, judicial staff, and public prosecutors.

-Continuation and expansion of existing programs for disease control and eradication, as well as immunization and oral rehydration.

-Training of primary health workers, especially nurses, should be expanded and the means developed to integrate private and public financing of health services.

-Assistance programs should target the area's severe housing shortage.

-Training of public administrators required to improve public service.

-U.S. Government should provide more resources to meet critical problem of refugees and displaced persons -- more than 1 million of them need help.

SECURITY ISSUES

-In El Salvador there are two separate conflicts: (1) between those seeking democratic reform and those seeking to retain their privileges; (2) between Marxist-Leninist guerrilas and those who oppose Marxism-Leninism.

-In discussing the latter we identify three general propositions about such guerrilla movements:

(1) They depend on external support. Without it they are unlikely to succeed.

(2) They develop their own momentum which reform alone cannot stop.

(3) Victorious, they create totalitarian regimes, even though they have enlisted support of democratic elements in order to project democratic, reformist image.

-External support comes from Soviet Union, Cuba, and now Nicaragua. Cuba has developed into a leading military power through Soviet assistance. Since Sandinista victory, Soviets have come around to support Cuban strategy of armed road to power in Central America.

-There are serious strategic implications for the United States in Soviet-Cuban support for armed insurgency in the region.

-Triumph of hostile forces there could require us to devote large resources to defend our southern approaches.

-This could mean either substantially increased defense burden for the United States or redeployment of forces to the detriment of our interests elsewhere.

-Threat to our shipping lanes in the Caribbean.

-Increased violence and dislocation in the area from which we could not isolate ourselves.

-Erosion of our power to influence events worldwide as we are preceived as unable to influence events close to home.

El Salvador

-The war is stalemated, a condition to the ultimate advantage of the guerrillas.

-U.S. military assistance is inadequate to permit modern, humane, and successful counterinsurgency.

-Commission recommends that the United States provide significantly increased levels of military assistance for greater mobility, more training, higher force levels, and more equipment.

-Assistance is to be conditioned through legislation on terminating death squads, progress toward democracy, and establishment of the rule of law.

-In Guatemala, such assistance should only be provided if the same terms are met.

-Increased military assistance also needed for Honduras to build a credible deterrent and to meet renewed efforts at insurgency.

-Commission concludes that U.S. security interests are importantly engaged in Central America. Larger program of military assistance needed, as well as expanded support for economic growth and social reform.

-Success will depend on an end to massive violations of human rights and the neutralization of external support for the insurgencies.

THE SEARCH FOR PEACE

-A successful U.S. political strategy in Central America requires resources to promote economic growth; vigorous efforts to advance democracy and reform; other inducements and penalties.

-General strategic objective of U.S. diplomacy in Central America should be to reduce the civil wars, national conflicts, and military preparations to Central American dimension.

-Specifically, we should seek to stop the war and killing in El Salvador. Create conditions under which Nicaragua becomes a peaceful and democratic member of the Central American community. And open the way for democratic development in all countries.

-Commission calls for negotiations in El Salvador between guerrillas and the government to be elected in March to establish conditions for later legislative and municipal elections in which all could participate: electoral commission with FMLN/FDR representation, ceasefire, and end to all violence; international observation of elections.

-Adequate economic and military assistance from the United States can help to achieve such a settlement.

-Commission believes military stalemate works against rather than for a political settlement based on the popular will.

-In Nicaragua, consolidation of a Marxist-Leninst regime would create a permanent security threat. Nicaragua's mainland location makes it a crucial stepping-stone to promote armed insurgency in Central America. Cuban personnel (2,000 military advisers and 6,000 civilian officials); severalhundred Soviet, East European, Libyan, and PLO [Palestine Liberation Organization] advisers; extensive arms deliveries (13,000 tons in 1983) add an external dimension to the threat posed by Nicaragua to its neighbors.

-What gives the current situation its special urgency is the external threat posed by the Sandinista regime in Nicaragua; supported by Cuban military strength; backed by Soviet weapons, guidance, and diplomacy; and integrated into the Cuban network of intelligence and subversion.

-Central American leaders believe pluralistic political orders are essential to long-term security.

-An alternative would be an attempt at containment. But that would be threaten militarization of the isthmus-the creation of garrison states. Democracy would wither. And the United States could find itself as surrogate policeman.

-Commission proposes comprehensive regional settlement based on:

(1) Respect for sovereignty and nonintervention.

(2) Verifiable commitments to non-aggression and an end to all attempts at subversion-covert or overt.

(3) Limitations on arms and sizes of armed forces. Prohibition of foreign forces, bases, and advisers.

(4) No military forces, bases, or advisers of non-Central American countries would be permitted.

(5) Commitment to internal pluralism and free elections in all countries.

(6) Provision for verification of all agreements.

(7) Establishment of an intergovernment council to meet regularly to review compliance.

(8) Adherence to the overall agreement would be required for membership in the Central American Development Organization.

-The United States would support the agreement and provide assistance and would commit itself to respect results of elections within countries as long as principles of pluralism at home and restraint abroad are observed.

-Commission's proposal based on and amplifies 21 points of the Contadora Group.

-Commission fully endorses Contadora efforts.

-Finally, majority of Commission opposes dismantling existing incentives and pressures for the regime in Managua to negotiate seriously.

Appendix A

-As for Cuba, Commission sees little possibility of separating it from Soviet Union. But the United States should be prepared to negotiate seriously if Cuba were to show itself prepared for genuine coexistence, dropping support for insurgency in Central America and revolutionary violence elsewhere in the world.

-As for Soviet Union, establishment of Soviet military base in Nicaragua is not the major concern. Before that could have happened, the crisis would have reached proportions not containable in Central American dimensions.

-There is little promise in negotiating with the Soviet Union over Central America. Soviets would seek to couch such negotiations in terms of sphere of influence, an unacceptable concept for the United States.

Kissinger Commission implementation: action by the Congress through 1986 on the recommendations of the National Bipartisan Commission on Central America, by K. Larry Storrs. Washington, Congressional Research Service, 1987. 22 p. (CRS Report 87-291)

CONTENTS

ABSTRACT....................iii

INTRODUCTION AND SUMMARY.................... 1

THE ECONOMIC AND POLITICAL-SECURITY CHALLENGES IDENTIFIED BY THE COMMISSION 2

CONGRESSIONAL ACTION ON THE COMMISSION'S RECOMMENDED SHORT-TERM PROGRAM FOR DEALING WITH THE CHALLENGES.................... 3
- Provide $400 Million in Supplemental Economic Assistance 3
- Significantly Increase Military Aid to El Salvador and Honduras....... 3

CONGRESSIONAL ACTION ON THE COMMISSION'S RECOMMENDED MEDIUM-TERM PROGRAM FOR DEALING WITH THE ECONOMIC CHALLENGE.................... 4
- Greatly Increase U.S. Economic Assistance Over Five Years (FY85-FY89).................... 4
- Provide Multi-Year Authorization.................... 8
- Channel One-Quarter of U.S. Aid Through Central American Development Organization (CADO).................... 9
- Expand Trade Opportunities and Encourage Improved Investment Conditions.................... 9
- Encourage Accelerated Agricultural Development.................... 11
- Expand Human Development Programs.................... 11

CONGRESSIONAL ACTION ON THE COMMISSION'S RECOMMENDATIONS FOR DEALING WITH THE POLITICAL-SECURITY CHALLENGE.................... 12
- Provide Increased Military Aid to El Salvador.................... 12
- Make Military Aid to El Salvador Contingent Upon Human Rights Progress.................... 13
- Provide Military Assistance to Guatemala Under Strong Human Rights Conditions.................... 16
- Provide Increased Military Assistance to Honduras.................... 17
- Provide Support for an Administration of Justice Program and End Prohibition on Police Assistance.................... 17
- Encourage a Comprehensive, Verifiable Settlement in the Region Using a Carrot-and-Stick Approach.................... 19

THE ADMINISTRATION'S MARCH 1987 REPORT AND PLAN FOR FULLY FUNDING THE COMMISSION'S RECOMMENDATIONS.................... 21

TABLES

Table 1 - U.S. Economic Assistance Fiscal Years 1985, 1986, and 1987.................... 7

Table 2 - U.S. Development Assistance to Central America by Functional Accounts and ESF Funding, FY84-FY87.................... 10

ABSTRACT

This report summarizes the implementation by the Congress of the policy recommendations made in January 1984 by the National Bipartisan Commission on Central America, the so-called "Kissinger Commission." It indicates, in general, that Congress has supported the Commission's major recommendations through 1986, although the allocations of aid fell below Commission targets, largely to meet budget reduction goals, and support for aid to the anti-Sandinista "contras" appeared to diminish in early 1987.

KISSINGER COMMISSION IMPLEMENTATION: ACTION BY THE CONGRESS THROUGH 1986 ON THE RECOMMENDATIONS OF THE NATIONAL BIPARTISAN COMMISSION ON CENTRAL AMERICA [1]

INTRODUCTION AND SUMMARY

This report summarizes the actions by the Congress through 1986 to implement the 1984 recommendations of the National Bipartisan Commission on Central America, commonly called the "Kissinger Commission." It complements several similar reports by the Department of State, including the Administration's March 1987 report and plan for fully funding the recommendations of the Kissinger Commission. It provides a basis for considering the Administration's request for supplemental FY87 funding and the request for regular FY88 funding for Central America. [2]

The 12-member Commission, chaired by former Secretary of State Henry A. Kissinger, was appointed by President Reagan in July 1983 and was charged with the task of recommending a long-range U.S. policy toward Central America that would command bipartisan support. The Commission presented its Report to the President on January 10, 1984, after six months of study, hearings and travel. [3] Following the report, the President, in February 1984, proposed the "Central America Democracy, Peace and Development Initiative Act of 1984" to

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[1] This is a slightly revised and updated version of a similar CRS report issued on September 26, 1986.

[2] See "Sustaining A Consistent Policy in Central America: One Year After the National Bipartisan Commission Report," Special Report No. 124, April 1985 (hereafter as cited State--April 1985); "Central America's Development," April 1986 (hereafter cited as State--April 1986); "The U.S. and Central America: Implementing the National Bipartisan Commission Report," Special Report No. 148, August 1986 (hereafter cited as State--August 1986); and "Report to the President and the Congress on a Plan for Fully Funding the Recommendations of the National Bipartisan Commission on Central America, by the Secretary of State, the Administrator of the Agency for International Development, and the Director of the Office of Management and Budget," Department of State Special Report No. 162 (hereafter cited as State --March 1987). Latter report also in House Document 100-42. See p. 21, footnote 33.

[3] See "Report of the National Bipartisan Commission on Central America, January 1984" (hereafter cited as Kissinger).

Editorial assistance provided by Alice Elder and Paul Graney.

implement the Commission's recommendations, and since then has submitted additional authorization and appropriation proposals for congressional consideration.

This report does not deal in detail with the Commission's analysis, nor does it cover all of the numerous recommendations made by the Commission. 4/ It identifies only the major recommendations of the Commission and indicates the extent to which the Administration's proposals for implementation have been adopted by the Congress through 1986.

The report finds that Congress provided practically all of the supplemental economic assistance requested for FY84 and 82 percent of the economic assistance requested for FY85, FY86, and FY87. It finds that Congress initially limited the amount of supplemental military aid for El Salvador, but essentially approved the Administration's military aid requests for FY85, FY86, and FY87 following the election of Jose Napoleon Duarte as President of El Salvador. While human rights conditions on aid to Guatemala meet the Commission's recommended standards, the current conditions on aid to El Salvador seem to be softer than recommended by the Commission. The report finds, in keeping with the Commission's recommendations, that Congress approved the multi-year authorization of economic assistance, the establishment of a Central American Development Organization, and the use of U.S. assistance, under certain conditions, for land reform programs and law enforcement agencies in the region. It finds that Congress approved increased military aid to Honduras and Guatemala, and, after initial resistance, approved humanitarian and military aid to the anti-Sandinista rebels ("contras") in Nicaragua for the purpose, in part, of encouraging a Contadora-type settlement in the region, as recommended by the Commission.

In short, the report finds that Congress generally supported the Commission's main recommendations, but, with recent overall cutbacks in foreign assistance to meet deficit reduction goals, funding fell below Commission targets.

THE ECONOMIC AND POLITICAL-SECURITY CHALLENGES IDENTIFIED BY THE COMMISSION

This report is organized around the two main challenges identified by the Commission: (1) the economic challenge (primarily the poverty, social injustice, and drastically declining economic growth rates in the Central American countries), and (2) the political-security challenge (primarily the insurgencies supported by Cuba,

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4/ See U.S. Library of Congress, Congressional Research Service, "A Summary and Analysis of the Report of the National Bipartisan 'Kissinger' Commission on Central America, January 1984," 84-39 F, by Richard P. Cronin and K. Larry Storrs for summary and analysis of the report.

Nicaragua, and the Soviet Union against governments in the region whose legitimacy is under attack).

According to the Commission, these were the two challenges that had to be addressed in order to ameliorate the crisis in Central America. The Commission offered immediate short-term recommendations as well as medium- or long-term recommendations.

CONGRESSIONAL ACTION ON THE COMMISSION'S RECOMMENDED SHORT-TERM PROGRAM FOR DEALING WITH THE CHALLENGES

Provide $400 Million in Supplemental Economic Assistance

In order to respond immediately to the economic crisis in Central America, the Commission recommended that the United States provide $400 million in supplemental economic assistance for Central America. 5/ To implement this recommendation, the Administration, in February 1984, requested about $400 million in economic aid and related assistance. This request included $290.5 million in Economic Support Funds and $73 million in Development Assistance, but it also included $25 million in P.L. 480 "Food for Peace" funding, although this form of aid is handled through different processes and no additional authorization or appropriation was necessary. In addition, the $400 million request included $11.5 million for the State Department, USIA, and the Peace Corps, most of which would not ordinarily be considered foreign assistance.

Acting through two supplemental appropriations, the Congress essentially approved all of the supplemental economic assistance for the region requested by the Administration. As a result, the Administration was able to allocate $290.5 million in ESF funding, $65.7 million in Development Assistance, $11.5 million for the State Department, the Peace Corps, and AID operating expenses in the region, and was able to increase Food for Peace funding for FY84 by about $23.6 million over the originally projected FY84 target, making a grand total of $391.3 in supplemental FY84 economic aid for Central America. 6/

Significantly Increase Military Aid to El Salvador and Honduras

To deal with the security threat that prompted the Commission's formation, particularly the guerrilla threat in El Salvador, the Commission recommended a significant immediate increase in military assistance, primarily for El Salvador and Honduras. While the Commission did not recommend a specific amount for any country, it noted,

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5/ See Kissinger, p. 46-50.

6/ See State--April 1985, p. 18; and State--August 1986, p. 26-27. Figures in table vary from total in this paper because no P.L. 480 funding is allocated to supplemental FY84.

with regard to El Salvador, that the Department of Defense had estimated that "it would take approximately $400 million in U.S. military assistance in 1984 and 1985 to break the military stalemate and allow the National Campaign Plan to be carried out." 7/ To implement these recommendations, the Administration, in February 1984, requested $259.1 million in supplemental FY84 grant Military Assistance Program funds, with $178.7 million, nearly 70 percent of the total, being designated for El Salvador. While the Commission's recommendation with regard to El Salvador is not entirely clear, the $178.7 million in supplemental FY84 funds and the $132.5 million in FY85 military assistance, both requested in February 1984, combined with the previous FY84 appropriation of $64.8 million, gives a combined total for fiscal years 1984 and 1985 of $376 million. This was fairly close, under one interpretation, to the Commission's recommendation.

Congress resisted the increase in military aid for Central America, particularly the large increase in aid to El Salvador. Acting through two supplemental measures, the Congress specifically limited supplemental FY84 military aid to El Salvador to $131.8 million, rather than the $178.7 million requested. For the entire region it appropriated $201.75 million in supplemental FY84 military assistance, rather than the $259 million requested, providing about 78 percent of the Administration's request for military aid. In the end, the Administration allocated only $183.25 in supplemental FY84 military assistance to the region, with the maximum of $131.8 million going to El Salvador. 8/

CONGRESSIONAL ACTION ON THE COMMISSION'S RECOMMENDED MEDIUM-TERM PROGRAM FOR DEALING WITH THE ECONOMIC CHALLENGE

Greatly Increase U.S. Economic Assistance Over Five Years (FY85-FY89)

To deal with the medium-term economic challenges of the region, the Commission recommended a total of $8 billion in economic assistance over a five-year period, including "direct appropriations as well as contingent liabilities such as guarantees and insurance," representing "a rough doubling of U.S. economic assistance from the 1983 level." 9/ While the Commission was not precise in recommending the amount of economic assistance, when the Administration submitted a proposal, in February 1984, to implement the Commission's recommendations, it requested about $6 billion in direct appropriations (i.e., $1.2 billion per year), and $2 billion in insurance and guarantee authority. Since then it has been conventional wisdom to consider that the Commission recommended $1.2 billion per year in economic and

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7/ Kissinger, p. 101-102.

8/ State--August 1986, p. 26-27.

9/ Kissinger, p. 53.

related assistance to Central America. On that ground, this standard is used here to measure the congressional response in the last two years.

It is important to note that there is no easy way to determine the exact amount appropriated by Congress for the Central American region. Generally the Congress makes appropriations for worldwide programs, without indicating the exact amount for each country or region. The Administration has considerable discretion in allocating the funds within the established worldwide levels. It is also worth noting that reductions in the President's requests were generally made in the context of a general budget reduction program, not explicitly because of disagreement with aid to Central America.

Congressional action in meeting Commission targets for fiscal years 1985, 1986, and 1987 is summarized in Table 1. The action is explained in more detail in the paragraphs that follow.

In early 1984, following the Commission's recommendations, the Administration proposed the "Central America Democracy, Peace and Development Initiative Act" which, along with the request for FY84 supplemental funds previously discussed, called for a total of $1.11 billion in FY85 economic assistance to the region, with the breakdown by program indicated in Table 1.

While Congress failed to complete action on a foreign aid authorization measure in 1984, FY85 funds were appropriated for Central America in section 101 of the Continuing Appropriations Act, 1985 (P.L. 98-473), approved in October 1984. As one State Department publication pointed out, "Congress approved almost all of the funds requested by the Administration for FY 1985 in support of the Commission recommendations." 10/ In the end, the Administration allocated $973 million in economic and related assistance to Central America for FY85, about 88 percent of the request for $1.1 billion. The shortfall from the Commission's presumed goal of $1.2 billion in economic assistance would be about $227 million, of which nearly $100 million had not been requested by the Administration.

In early 1985, as part of the regular budget request process, the Administration requested a total of $1.05 billion in FY86 economic and related assistance for Central America, with more than half of the aid in ESF funding, as indicated in Table 1.

The Congress acted on the President's general foreign aid request in authorization and appropriation measures, and in both cases it provided less assistance on a worldwide basis than the President requested, causing a reduction in the allocation of funds to all regions, including Central America. Still later, additional across-the-board cuts were required by the passage of the Gramm-Rudman-Hollings Deficit Reduction Act. Congress authorized economic assistance to Central

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10/ State--April 1985, p. 18.

America for FY86 and FY87 through the International Security and Development Cooperation Act of 1985 (IS & DC, 1985), passed in July 1985, and signed into law (P.L. 99-83) in August 1985. Section 701 of the bill added a new chapter, entitled the "Central America Democracy, Peace, and Development Initiative," to the Foreign Assistance Act of 1961. Congress appropriated FY86 economic assistance funds for Central America through section 101(j) of the Continuing Appropriations Act, 1986, approved and signed into law (P.L. 99-190) in December 1985. Out of concern for reserving funding for programs in Africa, the Congress specified in the appropriation that not more than $250 million in Development Assistance could be allocated to Central America except through reprogramming procedures.

After taking into account the worldwide reduction in assistance levels and the required cuts mandated by the Gramm-Rudman-Hollings Deficit Reduction Act, the Administration was able to provide a total of $893 million in economic and related assistance to Central America for FY86, about 85 percent of the request for $1.05 billion. 11/ The shortfall from the goal of $1.2 billion per year, set by the Commission, would be about $307 million, of which about $150 million had not been requested by the Administration.

In early 1986, the Administration requested a total of $1.14 billion in FY87 economic and related aid for Central America, with the program breakdown indicated in Table 1. This increase in assistance was requested in part to make up for the reductions in FY86 aid required by the Gramm-Rudman-Hollings Act.

By mid-year 1986, the Administration indicated a concern with the shortfall in economic assistance levels for Central America, 12/ particularly when it appeared that FY87 levels would be even lower, in large part to achieve budget reduction targets mandated by the Congress. Simultaneously, in connection with consideration of the Administration's request for $100 million in military and humanitarian assistance to the anti-Sandinista rebels ("contras") in Nicaragua, a number of Members felt that it was necessary to increase assistance to the democratic countries in the region. As a result, title II of the Military Construction Appropriations Bill (H.R. 5052), as passed by the House in June 1986 and by the Senate in August 1986, provided $300 million in ESF assistance for Costa Rica, El Salvador, Guatemala and Honduras to be transferred from unobligated FY86 funds, primarily for Africa famine relief. Moreover, the bill required relevant Administration officials to report to Congress no later than March 1, 1987, on a plan for "fully funding" assistance to Central America in keeping with the recommendations of the Kissinger Commission. Assuming the bill had been enacted into law in time, it would have brought economic assistance funding levels for Central America during fiscal years 1985 and 1986 to over 90 percent of the amounts requested.

11/ State--April 1986, and State--August 1986, p. 26-27.

12/ AID FY87 Congressional Presentation for Latin America, p. 36; and State--August 1986, p. 4.

TABLE 1 - U.S. Economic Assistance to Central America, Fiscal Years 1985, 1986, 1987
(Obligations in millions of dollars)

	Economic Support Funds (ESF)	Development Assistance	P.L. 480 Aid	Other Aid 1/	Total Aid	Shortfall from Commission Target By Year
FY 1985						
Commission Target	Not Specified	Not Specified	Not Specified	Not Specified	1,200	
Administration Request	641	273	120	76	1,110	90
Allocation following Appropriation	536	232	118	87	973	227
FY 1986						
Commission Target	Not Specified	Not Specified	Not Specified	Not Specified	1,200	
Administration Request	600	269	111	73	1,053	147
Allocation following Appropriation	458	255	110	70	893	307
FY 1987						
Commission Target	Not Specified	Not Specified	Not Specified	Not Specified	1,200	
Administration Request	656	287	112	70	1,135	65
Allocation following Appropriation 2/	415	236	105	70 3/	826	374

1/ Includes amounts for Peace Corps, USIA, and State Department refugee programs.

2/ Does not include FY87 supplemental, nor $50 million in earthquake assistance for El Salvador provided in October 1986.

3/ Estimated

Source: Data is adapted from U.S. Department of State, Central America's Development, April 1986; and Agency for International Development, Congressional Presentation [Request] Fiscal Year 1988, February 1987.

However, the Military Construction Bill incorporated as section 101 (k) of the omnibus Continuing Appropriations Act for FY87 (H.J. Res. 738), was not approved and enacted into law (P.L. 99-500, P.L. 99-591) until mid-October 1986. While the section provided that at least $100 million of the Central American assistance was to be obligated in FY86, the late passage of the Continuing Resolution -- following the expiration date of the 1986 fiscal year -- prevented the obligation of any funds in that year.

The regular Foreign Aid Appropriations Act for FY87 was contained in section 101 (f) of the omnibus Continuing Resolution passed by Congress and signed into law in mid-October 1986. It set worldwide aid at $13.37 billion, considerably below the $15.47 billion requested by the Administration for FY87. Since amounts for certain aid recipients (Israel, Egypt, Pakistan) were earmarked at or near Administration request levels, the shortfall for other recipients, including the Central American democracies, was significant, especially in Economic Support Funds. Moreover, the Act specified that the $300 million provided through the Military Construction Appropriation would be included within the established overall limits for FY87 assistance.

Taking into account the reduced aid levels and the earmarkings for certain countries, the Administration allocated $826 million in economic and related aid to the region, about 73 percent of the request for $1.14 billion. Largely as a result of these reductions, the Administration, in early 1987, requested $300 million in supplemental FY87 funds for Central America -- $100 million in disaster assistance for El Salvador in connection with the October 1986 earthquake, and $200 million in ESF funds for the Central American democracies.

Looking back at congressional support for economic assistance in Central America, the Congress has clearly given considerable support for Commission recommendations during fiscal years 1985, 1986, and 1987, despite overall budgetary constraints and shrinking foreign aid budgets. Summarizing the tabulations in Table 1, the appropriations enacted through 1986 for fiscal years 1985, 1986, and 1987, along with the funds appropriated in the FY84 supplemental, total $3.083 billion for Central America. This would produce a shortfall of $917 million from the Commission's presumed target of $400 million in the FY84 supplemental and $1.2 billion per year in subsequent years, but, as the table demonstrates, the Administration has never requested adequate funds to fully meet the Commission's targets.

Provide Multi-Year Authorization

To demonstrate a long-term commitment to the region, the Kissinger Commission recommended a five-year authorization for economic assistance. 13/ While authorizing committees resisted this idea in 1984, the foreign aid authorization measure (P.L. 99-83), passed in

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13/ Kissinger, p. 53.

1985, authorized funds for two years, fiscal years 1986 and 1987, and section 701 of the Act contains a separate authorization of $1.2 billion per year in non military assistance for two additional years, fiscal years 1988 and 1989. In essence, the Congress provided the multi-year authorization requested.

Channel One-Quarter of U.S. Aid Through Central American Development Organization (CADO)

To encourage regional dialogue and self-determination in setting development goals, the Commission recommended the creation of a Central American Development Organization (CADO) through which one-quarter of U.S. assistance would be channeled. 14/

Congress expressed support for this recommendation in section 701 of the International Security and Development Cooperation Act of 1985 (P.L. 99-83). This states the sense of Congress that the President should enter into negotiations to establish a Central American Development Organization and should follow the Organization's recommendations to the maximum extent practicable, disbursing no more than 75 percent of U.S. assistance until the Organization's recommendations are made final. In short, it recommended, in keeping with the Commission's recommendations, that 25 percent of U.S. assistance be channelled through CADO.

Furthermore, in the Military Construction Appropriation Bill (H.R. 5052), passed by both Houses, the 99th Congress, in conjunction with the approval of $300 million in ESF funding to the Central American democracies, "reaffirmed" its support for CADO and required that "not less than $750,000" of the available funds be used to establish the Central American Development Organization and its administrative apparatus.

Expand Trade Opportunities and Encourage Improved Investment Conditions

The Commission sought to encourage export growth and investment in the region through extension of the Caribbean Basin Initiative, technical and financial support for export promotion efforts, expanded availability of Overseas Private Investment Corporation (OPIC) insurance, and other measures. 15/ While adopted prior to the Kissinger Commission recommendations, congressional action to extend one-way duty-free treatment to Central American states through the Caribbean Basin Initiative was a major effort in this area. It is the basis for wide-ranging activities by numerous agencies to encourage the expansion of exports to the United States. In addition, acting upon the Administration's recommendation, the Congress authorized and

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14/ Kissinger, p. 61-62.

15/ Kissinger, p. 55-57.

Table 2 - U.S. Development Assistance to Central America by Functional Accounts and ESF Funding
FY84-FY87, thousands of dollars

COUNTRY	TOTAL	AGRICULTURE RURAL DEVELOPMENT AND NUTRITION	POPULATION PLANNING	HEALTH	CHILD SURVIVAL	EDUCATION AND HUMAN RESOURCES DEVELOPMENT	SELECTED DEVELOPMENT ACTIVITIES	ECONOMIC SUPPORT FUND	OTHER PROGRAMS
BELIZE									
1984	$3,875	$3,230	---	$240	---	---	$405	---	---
1985	21,650	3,040	$50	1,900	---	$2,300	360	$14,000	---
1986	8,764	2,150	50	2,250	---	650	1,750	1,914	---
1987	9,550	1,863	64	1,373	725	1,871	1,400	2,254	---
COSTA RICA									
1984	145,470	2,482	475	4,402	---	966	7,075	130,000	$70
1985	180,547	2,950	1,125	50	---	3,796	12,605	160,000	21
1986	131,531	2,850	25	100	---	580	7,394	120,582	---
1987	100,490	6,577	230	410	---	1,982	3,575	87,716	---
EL SALVADOR									
1984	161,370	30,744	1,925	6,084	---	175	2,133	120,234	75
1985	372,755	31,998	6,225	14,875	---	9,125	25,532	285,000	---
1986	260,925	29,470	6,673	19,250	---	16,455	12,032	177,045	---
1987	257,204	33,371	1,286	12,166	3,932	13,452	11,250	181,747	---
GUATEMALA									
1984	4,491	2,252	1,273	550	---	200	100	---	116
1985	70,533	22,400	2,628	7,999	---	13,506	9,500	12,500	---
1986	83,131	19,165	2,867	5,098	1,600	6,704	1,467	47,850	---
1987	92,088	10,739	3,733	632	4,150	7,527	6,500	58,787	---
HONDURAS									
1984	70,995	21,140	1,700	2,150	---	1,905	4,100	40,000	---
1985	199,333	16,550	2,771	11,100	---	5,662	8,250	147,500	7,500
1986	105,556	26,678	5,236	5,847	---	4,529	2,018	61,248	---
1987	112,260	21,081	2,907	1,463	1,450	6,453	7,500	71,406	---
PANAMA									
1984	10,720	6,350	370	---	---	210	3,790	---	---
1985	68,822	10,065	290	---	---	2,395	6,072	50,000	---
1986	24,540	7,950	100	---	---	946	9,802	5,742	---
1987	19,334	9,477	319	438	---	4,625	4,475	---	---
ROCAP									
1984	15,458	10,291	---	20	---	1,100	4,047	---	---
1985	105,809	12,053	---	13,350	---	134	9,377	70,895	---
1986	25,039	15,215	---	2,425	---	2,400	3,799	1,200	---
1987	30,021	12,951	25	1,210	30	2,925	7,600	5,260	---
CENTRAL AMERICAN REGIONAL									
1984	---	---	---	---	---	---	---	---	---
1985	54,648	---	---	---	---	27,550	---	27,098	---
1986	71,678	1,794	1,439	7,197	2,500	13,766	2,751	42,231	---
1987	25,115	1,377	1,330	1,595	693	11,252	1,038	7,830	---
SUBTOTAL CENTRAL AMERICA									
1984	412,379	76,489	5,743	13,446	---	4,556	21,650	290,234	261
1985	1,074,097	99,056	13,089	51,274	---	64,468	71,696	766,993	7,521
1986	712,764	105,272	16,390	42,167	4,100	46,030	40,993	457,812	---
1987	650,939	97,436	9,894	19,307	11,000	50,087	43,338	415,000	---

Source: AID's Congressional Presentation, FY88, Annex III, pp. 2-3, excluding FY87 supplemental.
FY85 assistance is disproportionately high because some FY84 supplemental aid was obligated in FY85.

appropriated funds, under the Trade Credit Insurance Program, to guarantee about $250 million per year in Export-Import Bank financing of U.S. imports that are crucial to export promotion efforts, and supported the Overseas Private Investment Corporation's efforts to expand insurance coverage in the region and to encourage investment through investment missions and feasibility studies. 16/ Moreover, much of the balance of payments support provided through Economic Support Funds has been used to stabilize the Central American economies, to finance imports necessary for export expansion, and to restructure economic policies to stimulate the private sector.

Encourage Accelerated Agricultural Development

The Commission recommended that additional U.S. resources be provided to support government efforts to promote land redistribution, to provide agricultural credit and services, and to encourage the development of cooperatives. 17/ At the request of the Administration, Congress permitted U.S. assistance to be used to support land reform measures. Section 1203 of the International Security and Development Cooperation Act of 1985 amends the previously existing prohibition on the use of U.S. assistance to compensate owners of land expropriated under a land reform (section 620(g) of the Foreign Assistance Act of 1961) and permits aid to be used for such purposes if the President determines that such assistance will further the national interest of the United States. The Administration indicated that El Salvador would be the major beneficiary of this provision.

Without going into great detail on support for agriculture-related programs, it is clear from Table 2 that U.S. assistance to agriculture, rural development and nutrition in Central America has increased, with congressional support, from $76.5 million in FY84 to $99.1 million in FY85, $105.2 million in FY86, and $97.4 million in FY87. 18/

Expand Human Development Programs

To deal with serious socio-economic needs in Central America, the Commission recommended increased attention to health, education, housing, and population planning. 19/ The figures in Table 2 make it clear that assistance has increased significantly in the targeted

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16/ See State--August 1986, p. 11-15.

17/ Kissinger, p. 57-59.

18/ See State--August 1986, p. 15-16, 20; and FY88 Congressional Presentation for more details.

19/ Kissinger, p. 68-83.

areas in the last few years with support from Congress. Funding for Population Planning increased from $5.7 million in FY84 to an average of $13 million in the last three years, while funds devoted to Health Programs increased from $13.4 million in FY84 to $51.3 million in FY85 and $42.1 million in FY86 but fell to $19.3 million in FY87. Showing the largest increase, funding for Education and Human Resources Development jumped from $4.6 million in FY84 to $64.5 million in FY85, and $46 million in FY86, and $50 million in FY87. 20/

CONGRESSIONAL ACTION ON THE COMMISSION'S RECOMMENDATIONS FOR DEALING WITH THE POLITICAL-SECURITY CHALLENGE

Provide Increased Military Aid to El Salvador

Arguing that U.S. military assistance was inadequate to permit the Salvadoran army to wage war with the guerrillas with success, the Commission recommended a significant increase in military aid to El Salvador. 21/ Identified as important needs were the following: increased air and ground mobility, higher force levels, and improved medical evacuation abilities.

In 1984, the Administration requested $178.7 million in supplemental FY84 military aid and $132.5 million in FY85 military assistance. Congress resisted the request for supplemental funding, as noted above, but eventually accepted full funding for FY85. Acting through a Continuing Resolution, it initially limited FY85 military aid to $128.3 million, a reduction of $4.2 million. However, the Administration was able, through a variety of exemptions, mostly involving the reallocation of funds originally designated for the Regional Military Training Center, to allocate $136.3 million in FY85 military aid to El Salvador, more than the $132.5 million requested. This was permitted in part because congressional opposition to aid to El Salvador seemed to decline significantly following the election in May 1984, of Jose Napoleon Duarte of the Christian Democratic Party as President of El Salvador.

In early 1985, the Administration requested $132.6 million in FY86 military aid for El Salvador and, in September 1985, requested another $10 million as part of the Central American Counterterrorism Program. While action was never completed on the Counterterrorism

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20/ See State--August 1986, p. 17-20, for more detail on programs.

21/ Kissinger, p. 101-102. For congressional action see "El Salvador--Policy Issues and Options for the 98th Congress," Archived CRS Issue Brief IB83051, 1985; and "El Salvador Aid: Congressional Action, 1981-1986, on President Reagan's Requests for Economic and Military Aid for El Salvador," CRS Report, 1987.

Program, the foreign aid authorization (P.L. 99-83) and the foreign operations appropriations (P.L. 99-190), in a break from past practice, contained no language specifically limiting military aid to El Salvador. The worldwide levels of aid approved in both measures were less than the Administration requested, however. In this budget-cutting context, compounded by across-the-board cuts under the Gramm-Rudman-Hollings Act, the Administration was able to obligate $121.8 million in FY86 military aid to El Salvador, an $11 million reduction from the request of $132.6 million, including $5 million withheld pending legal action on the 1981 murder of Americans.

In 1986, following reductions mandated by the Gramm-Rudman-Hollings Deficit Reduction Act, the Administration requested $136.2 million in FY87 military aid for El Salvador, exactly at the same level as the previous year's request. The Foreign Aid Appropriations Act for FY87, eventually incorporated as section 101(f) of the omnibus Continuing Appropriations Act for FY87 (H.J. Res. 738) enacted into law (P.L. 99-500, P.L. 99-591) in mid-October 1986, contained no required cuts in military aid to El Salvador. However, since the Act set aid levels considerably below the President's request and contained earmarkings for certain countries, the Administration was only able to allocate $116.5 million in FY87 military aid for El Salvador, a reduction from the request for $136.2 million. As a result, the Administration's request, in early 1987, for supplemental FY87 funds includes a request for $17.5 million in military aid grants for El Salvador.

With the sustained, but declining levels of military aid in the last few years, El Salvador has been able to significantly augment its ground and air force levels in keeping with Kissinger Commission recommendations. 22/ As a result, most observers believe that at present the guerrillas are militarily on the defensive in the country.

Make Military Aid to El Salvador Contingent Upon Human Rights Progress

The Commission argued that increased military aid had to be accompanied by increased pressure to safeguard human rights. It recommended, with minor reservations from three members, that military aid to El Salvador "should, through legislation requiring periodic reports, be made contingent upon demonstrated progress toward free elections; freedom of association; the establishment of the rule of law and an effective judicial system; and the termination of the so-called death squads, as well as vigorous action against those guilty of crimes and the prosecution to the extent possible of past offenders." 23/

22/ See State--April 1985, p. 11; and State--August 1986, p. 21-22.

23/ Kissinger, p. 104.

During 1984, Congress, acting on three measures, made military aid to El Salvador contingent upon progress in human rights, in keeping with the Commission's recommendation, even though the President had not recommended such conditions.

The so-called Urgent FY84 Supplemental (P.L. 98-332), enacted in July 1984, provided that none of the $61.7 million in military aid to El Salvador appropriated by the Act could be available until the President reported to Congress "his determination that the Government of El Salvador has demonstrated progress toward land reform, free elections, freedom of association, the establishment of the rule of law and an effective judicial system, and the termination of the activities of the so-called death squads, including vigorous action against members of such squads who are guilty of crimes and prosecution to the extent possible of such members who are past offenders; . . . ." In addition, the Congress required the President to report every 60 days, on a continuing basis, the progress made during the preceding 60 days in achieving the objectives mentioned above.

The Second Supplemental Appropriations Act for FY84 (P.L. 98-396), enacted in August 1984, established nearly identical conditions prior to the obligation or expenditure of $70 million in Military Assistance Program funds for El Salvador appropriated by the Act.

The Foreign Assistance Appropriations Act, 1985, contained in the Continuing Resolution for FY85 Appropriations (P.L. 98-473), enacted in October 1984, provided that half of the $111.7 million in military assistance to El Salvador could be provided without conditions, but the remaining half was conditioned on human rights progress even though specific reports were not required as recommended by the Commission. The law required the Administration to "consult" with the Committees on Appropriations prior to March 1, 1985, in regard to reduction and punishment of death squad activities, elimination of corruption and misuse of government funds, development of a Salvadoran plan to improve the performance of the military, and progress toward discussions leading to a peaceful resolution of the conflict. It also specifically noted that it was "the direction of Congress" that the second half of FY85 funds should not be obligated "until substantial progress has been made on each of the above points." Moreover, the law set aside $5 million of the aid "until the Government of El Salvador has (1) substantially concluded all investigative action with respect to those responsible for the January 1981 deaths of the two United States land reform consultants Michael Hammer and Mark Perlman and the Salvadoran Land Reform Director Jose Rodolfo Viera, and (2) brought the accused to trial and obtained a verdict."

During 1985, congressional restrictions on aid to El Salvador seemed, in general, to be weaker than those recommended by the Kissinger Commission. This represented a significant break with past practice.

Section 702 of the Foreign Aid Authorization for FY86 and FY87 (IS & DC Act, 1985, P.L. 99-33) passed in July 1985, changed the previous binding conditions to expectations and required semiannual reports on the extent to which the expectations were being met. Paraphrasing the provision, it states that Congress expects the Government of El Salvador to pursue a dialogue with the guerrillas, to be in control of the military and security forces to insure that they comply with international law relating to warfare, and to make demonstrated progress in ending the activities of the death squads, in establishing an effective judicial system, and in implementing the land reform program. While four reports are to be made at six-month intervals on the extent to which the above objectives are being met, the provision of military aid to El Salvador is not contingent upon demonstrated progress in those areas, as recommended by the Commission and as required in previous legislation. Related provisions of the Act required that Congress be notified before the export of helicopters and aircraft to the country and that all aid be suspended if President Duarte were deposed by a military coup.

The Foreign Aid Appropriation for FY86 was eventually incorporated into the omnibus Continuing Resolution (H.J. Res. 465) which Congress passed and the President signed into law (P.L. 99-190) on December 19, 1985. In sections relating specifically to El Salvador, it provided up to $1 million of ESF funds to assist El Salvador's Special Investigative Unit in bringing to justice those responsible for the murder of U.S. citizens, and it set aside $5 million of military assistance until the President reports that the Salvadoran government has substantially concluded all investigative action and has pursued all legal avenues to bring to trial those responsible for the January 1981 killing of three land reform specialists, including two Americans, in San Salvador. Other provisions of the Act, similar to those in the foreign aid authorization, specified that appropriation committees are to receive the required reports on human rights conditions and to be notified 15 days in advance of the provision of aircraft or helicopters to El Salvador, and that aid is to be suspended if a duly elected head of government is deposed by military coup or decree.

During 1986, congressional conditions on aid to El Salvador were very similar to conditions adopted in 1985, and, like the previous conditions, seemed to be weaker than the Commission recommended. The Foreign Aid Appropriation for FY87 was incorporated as section 101 (f) of the omnibus Continuing Appropriations Act for FY87 (H.J. Res. 738) enacted into law (P.L. 99-500, P.L. 99-591) in mid-October 1986. Provisions relating specifically to El Salvador appropriated up to $1 million in ESF funds to assist El Salvador's Special Investigative Unit in bringing to justice those responsible for the murder of U.S. citizens, and it set aside $5 million of military assistance until the President has reported that the Government of El Salvador has substantially concluded all investigative action and has pursued all legal avenues to bring to trial those responsible for the killings of two American land reform specialists in January 1981. They specified that ESF funds placed in El Salvador's Central Reserve Bank are to be maintained in a separate account, and provided that all aid would be suspended if a duly elected head of government were deposed by a military coup or decree. Other provisions of the Act provided that the appropriation committees are to receive the required reports on human rights conditions, to be notified 15 days in advance of the provision of aircraft or helicopters to El Salvador, and to be given the same notificaton and human rights determination as the authorizing committees whenever police assistance is provided.

Except for the set-asides of $5 million pending action to bring to justice those responsible for murdering the land reform specialists, the conditions enacted in 1985 and 1986 are less restrictive than those recommended by the Kissinger Commission.

Provide Military Assistance to Guatemala Under Strong Human Rights Conditions

Arguing that Guatemala was a pivotal country, the Commission recommended an unspecified amount of U.S. military assistance for Guatemala when the country could meet human rights conditions of the sort recommended for El Salvador. [24]

In 1984, in keeping with this recommendation, the Administration requested $10 million in FMS credits and $300,000 for international military training (IMET) for fiscal year 1985, arguing that the country was no longer experiencing a consistent pattern of human rights abuse. The Congress, expressing concern over the human rights conditions in the country, prohibited FMS credits in the Continuing Resolution for fiscal year 1985, but did not forbid IMET assistance for the country.

In 1985, the Administration again requested $10 million in FMS credits and $300,000 in IMET assistance for Guatemala for FY86. While the Congress approved IMET assistance without restrictions, it approved FMS assistance only under tough human rights conditions very much in keeping with the Commission's recommendations. Section 703 of the Foreign Aid Authorization for FY86 and FY87 (P.L. 99-83), passed by Congress in July 1985, permits military assistance and sales for Guatemala only if the President certifies to Congress that (1) an elected civilian government is in power and has formally requested assistance, and (2) that the government has made demonstrated progress in achieving control over its military and security forces, in eliminating kidnapings, disappearances, and other human rights abuses, and in respecting the rights of its indigenous Indian population. If the conditions are met, the Act provides that Guatemala may be provided with up to $10 million in FMS financing for both fiscal years for construction equipment, mobile medical faciities, and related training, but not for use in the rural resettlement program. None of the military assistance may be used for the procurement of weapons or ammunition, and all assistance is to be suspended in the event of a military coup.

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[24] Kissinger, p. 102, 104. For more on congressional action, see "Guatemala: U.S. Foreign Assistance Facts," CRS Issue Brief IB85100, updated regularly.

Title III of the Foreign Aid Appropriation for FY86, contained in the Continuing Appropriations Act, 1986 (P.L. 99-190), passed in December 1985, also conditions military assistance and sales to Guatemala on the same grounds as contained in the authorization measure.

Following the election in January 1986 of Christian Democrat Vinicio Cerezo as President of Guatemala, the Administration notified Congress that it intended to allocate $4.8 million in Military Assistance Program grants to Guatemala in FY86. On May 30, 1986 and December 8, 1986, it sent the required human rights certifications to Congress, arguing that a civilian government had been installed and had requested assistance, and that progress in human rights conditions had been demonstrated in the relevant periods. Total military aid to Guatemala for FY86 was $5.4 million, and the estimated total for FY87 was $2.4 million.

Provide Increased Military Assistance To Honduras

The Commission recommended increased military assistance for Honduras in order to provide a credible deterrent to Nicaragua, without specifying the amount of the increase. 25/ Generally speaking, Congress approved the Administration's requests in 1984 and 1985 for military assistance to Honduras, although the Continuing Resolution for FY85 did cut off assistance for the Regional Military Training Center located in Honduras until Honduras agreed to include Salvadorans in the training and to provide compensation to an American citizen whose land was expropriated for the Center. When Honduras failed to meet these conditions, the Center was closed in March 1985, and the aid was reprogrammed to other Central American recipients. Nevertheless, U.S. military aid to Honduras has increased significantly in the last few years, from $37.3 million in FY83 to $61.1 million in FY86 and $61.2 million in FY87. It would receive an additional $17.5 million under the proposed FY87 supplemental. In addition, Honduras has benefited from U.S. military construction at airbases and the regular joint U.S.-Honduras exercises in the country. 26/

Provide Support for an Administration of Justice Program and End Prohibition on Police Assistance

Arguing, especially with regard to El Salvador, that effective judicial and investigative procedures were imperative to end death squad activities, the Commission somewhat obliquely recommended assistance for judges, prosecutors, and criminal investigative agencies

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25/ Kissinger, p. 102.

26/ See State--April 1985, p. 12-20; and State--August 1986, p. 22. For congressional concerns and action, see "Honduras: U.S. Military Activities," CRS Issue Brief IB84134; and "Honduras: U.S. Foreign Assistance Facts," CRS Issue Brief IB85080, updated regularly.

to strengthen the administration of justice. 27/ It also called on Congress to amend the prohibition on police assistance (section 660 of the Foreign Assistance Act) and to allocate funds, under carefully defined conditions, for the training and support of law enforcement agencies in Central America. 28/

In 1984, the Administration sought support for a general administration of justice program for the region but Congress agreed only to provide $6.5 million in ESF assistance to El Salvador in order to protect witnesses in criminal cases, to improve investigative capabilities, and to modernize penal and evidentiary codes. 29/ The following year, Congress approved a general Administration of Justice Program for Central America and the Caribbean and waived the prohibition on police training for certain countries. Section 712 of the International Security and Development Cooperation Act of 1985 (P.L. 99-83) authorized up to $20 million per year for Administration of Justice programs under the condition that the foreign affairs committees be notified of the amount and nature of such assistance 15 days before obligation. 30/ Section 711 of the same Act waived the prohibition on police assistance if the country has a longstanding democratic tradition, does not have a standing army, and does not engage in human rights abuse (i.e., Costa Rica and most countries of the English-speaking Caribbean). The prohibition was waived for El Salvador and Honduras as well if the President notified the foreign affairs committees under reprogramming procedures that the government of the recipient country had made significant progress, during the preceding six months, in eliminating any human rights abuses.

In September 1985, the Administration requested an additional $54 million in assistance to fund a Special Central American Counterterrorism Program. Half of the amount would be in the form of antiterrorism assistance to Central American countries, most of which would go to law enforcement agencies, and the other half would be military assistance to strengthen counterterrorism efforts. Many Members viewed this request as a very late effort to increase military aid to the region and to augment funds for the recently established antiterrorism assistance program, under restrictions that were less demanding than the legislation just passed. As a result, neither House of Congress completed action on the request, although the Senate Foreign Relations Committee did report out a clean bill in December 1985 with strict human rights conditions.

27/ Kissinger, p. 103-104.

28/ Kissinger, p. 96-97.

29/ See State--April 1985, p. 9-10.

30/ See State--August 1986, p. 6-7 for details on programs.

Encourage a Comprehensive, Verifiable Settlement in the Region Using a Carrot-and-Stick Approach

The Commission urged the United States to spare no effort to encourage a diplomatic settlement in the region that would be comprehensive and verifiable, using economic assistance as an inducement and the threat of military force as a penalty for failure. In line with the 21 objectives accepted by the Central American states at the behest of the Contadora Group [31] (Mexico, Venezuela, Colombia, Panama), the settlement would include commitments on political pluralism, arms reduction, and non-intervention, and, if achieved, would lead to national reconciliation in El Salvador and Nicaragua. With regard to El Salvador, the Commission rejected negotiations that would lead to power-sharing by the guerrillas, but it urged efforts at negotiated reconciliation to encourage all elements of the society to participate in the 1985 legislative elections. Regarding Nicaragua, the Commission concluded that it would be unwise to dismantle "existing incentives and pressures," and a majority felt that U.S. support for the Nicaraguan insurgents ("contras") represented one of the incentives working in favor of a negotiated settlement. [32]

In general, the Congress has supported the thrust of these Commission recommendations, with some variation over time. As indicated above, it approved increased economic assistance to the region, and permitted a variety of military or paramilitary pressures -- main elements in the recommended program.

With regard to El Salvador, the Congress required the President to report regularly on Salvadoran efforts to reach a negotiated settlement with the guerrillas, and it supported the efforts by a Special U.S. Envoy to facilitate talks before the 1984 elections as well as the efforts by President Duarte to engage in talks in October and November of 1984. There was little to show from any of these efforts, however, and the pro-guerrilla groups refused to participate in the 1985 elections as the Commission had hoped.

With regard to Contadora and Nicaragua, congressional opinion has varied but in 1985 and 1986 moved toward agreement with the Kissinger Commission recommendations. In October 1984, partly out of concern that U.S. support for the contras in Nicaragua, along with military maneuvers in Honduras, might be at odds with the Contadora Group's efforts to achieve a regional peace settlement, the Congress prohibited FY85 support for the contras. However, it provided for a lifting of the prohibition after February 28, 1985, if the President requested contra assistance and explained how it would further U.S. goals in the region, "including the achievement of peace and security in Central America through a comprehensive, verifiable and enforceable agreement based upon the Contadora Document of Objectives" (section 8066 of the Department of Defense Appropriations Act, 1985, incorporated in section 101 of the Continuing Appropriations Act, 1985 (P.L. 98-473)).

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[31] For background and major developments, see CRS Issue Brief IB85109 on "Contadora Initiative: Implications for Congress," updated periodically.

[32] Kissinger, p. 106-120. For congressional action on aid to the contras, see "Contra Aid, 1981-1986: Summary and Chronology of Major Congressional Action on Key Legislation Concerning U.S. Aid to Anti-Sandinista Guerrillas," CRS Report 87-65 F, January 28, 1987.

While the House initially rejected the President's early 1985 request for contra assistance under the procedures described above, by mid-year 1985 Congress had agreed in the Supplemental Appropriations Act, 1985 (P.L. 99-88) and in the Foreign Aid Authorization Act (P.L. 99-83) to a compromise package providing $27 million in nonlethal, humanitarian aid to the contras to be administered by non-intelligence agencies.

As spelled out in sections 701 and 722 of the Foreign Aid Authorization (IS & DC, 1985), Congress essentially adopted the Kissinger Commission's "carrot-and-stick approach," including pressure on Nicaragua, by helping to sustain the contras with humanitarian aid, to encourage a Contadora-type settlement. Section 701 of the Foreign Aid Authorization, stated that the Congress "strongly supports the initiatives taken by the Contadora group," and it finds that the United States should provide such assistance and support as may be appropriate in helping to achieve a comprehensive and verifiable settlement. Section 722 not only repeats these findings, but subsection (h) authorizes $2 million for expenses arising from a Contadora settlement, including peacekeeping, verification, and monitoring systems. The carrot-and-stick approach is then more explicitly set out in subsections (i) and (k) and (p). These authorize the President to suspend U.S. economic sanctions against Nicaragua, to resume bilateral talks with Nicaragua, and to request additional assistance for the Central American peace process under expedited procedures if a Contadora settlement is achieved. If results are not forthcoming in these areas, however, the President is authorized to request additional assistance for the Nicaraguan democratic resistance (contras) under expedited procedures.

Acting under the provision just described, the President, in February 1986, requested $100 million in military and humanitarian assistance for the anti-Sandinista rebels (contras), arguing that Nicaragua had obstructed the Contadora Group's efforts to achieve a regional agreement and had refused to enter into dialogue with the democratic resistance forces in the country. Congress eventually approved this request with passage of title II of the Military Construction Appropriation Act (H.R. 5052). As passed by the House in June 1986 and by the Senate in August 1986, title II provided $100 million in military and humanitarian aid for the contras and $300 million in Economic Support Funds for the democratic countries in the region. This provision in the Military Construction Appropriations Act for FY87 was eventually incorporated as section 101(k) in the omnibus Continuing Appropriations Act for FY87 (H.J. Res. 738) which was passed by Congress and enacted into law (P.L. 99-500, P.L. 99-591) in mid-October 1986.

Like the previous legislation, title II created a series of incentives and disincentives for regional settlement as recommended by the Kissinger Commission. Section 203(b) states that the United States will initiate bilateral discussions with Nicaragua and limit the amount and type of assistance to the contras if Nicaragua makes efforts to reduce military ties to Cuba and the Soviet Union, to control the military buildup, to cease support for insurgencies, to establish democratic processes, and to engage in dialogue with the democratic opposition. Section 205(d) assigns up to $2 million to facilitate regional peace talks; section 213 sets up a Commission on Central American Negotiations to assess progress; section 211 requires the aid to be disbursed in stages and only after the President reports there is no reasonable prospect for agreement, dialogue, or cease-fire through diplomatic measures; and section 210 provides, in case a peaceful settlement is reached, that the unobligated balance of the $100 million will be used for relief, rehabilitation, and reconstruction in Central America. In the event no progress is forthcoming, however, section 215 permits the President to request additional assistance for the Contras under expedited procedures.

In early 1987, for a variety of reasons, including the Iran-contra scandal and disunity within the contra political leadership, congressional support for the anti-Sandinista contras appeared to diminish. While efforts to block the final $40 million tranche of the previously approved assistance seemed unlikely to succeed, the prospects for approval of the President's request for $105 million in FY88 assistance for the contras seemed to be uncertain.

THE ADMINISTRATION'S MARCH 1987 REPORT AND PLAN FOR FULLY FUNDING THE COMMISSION'S RECOMMENDATIONS

In early March 1987, the President sent a message to Congress, along with the report and plan for fully funding the Kissinger Commission recommendations. 33/ This report was in compliance with a requirement in section 205(c) of the Military Construction Appropriations Act for FY87, contained in section 101(k) of the omnibus Continuing Appropriations Act for FY87 (P.L. 99-500, P.L. 99-591) which originally approved $300 million in economic assistance for the

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33/ U.S. House, "Pertaining to Additional Economic Assistance to the Central American Democracies: Message from the President to the United States Transmitting the Report of the Secretary of State, the Administrator of the Agency for International Development, and the Director of the Office of Management and Budget Pertaining to Their Plan for Funding Assistance to the Central American Democracies, Pursuant to Sec. 205(c) of the Military Construction Appropriation Act, 1987, as contained in Public Laws 99-500 and 99-591," 100th Congress, 1st Session, House Document 100-42, March 4, 1987.

Central American democracies, along with $100 million in military and humanitarian aid for the anti-Sandinista contras.

Utilizing a slightly different method of assigning funds than used in this report, the Administration's report calculates that the shortfall in appropriated funds for Central America from the Commission's targets would be $760 million, assuming approval of the $300 million request for Central America in the FY87 supplemental.

While strongly supporting the goals and recommendations of the Kissinger Commission, the Administration does not call for massive funding to make up the identified shortfall. Instead, it proposes to stretch out the time for achieving the Commission's goals by three years, to fiscal year 1992, with a very modest increase in overall funding levels. Excluding consideration of the emergency FY84 supplemental, the Administration's plan calls for Congress to provide a total of $6.5 billion in direct economic assistance to Central America over a stretched-out eight-year period (FY85-FY92), roughly at the rate of $0.8 billion per year, compared to the Commission's recommendation of $6.0 billion over a five-year period (FY85-FY89) at a rate of $1.2 billion per year. In short, under the Administration's new plan, the projected yearly assistance to Central America is reduced, but the overall commitment to the region is extended by three years. This is in recognition, according to the report, of the funding limitations under the Deficit Reduction Act, the difficulties in instituting fundamental reforms in Central America, and the less-than-optimal external economic conditions for achieving the Commission's goals.

The Presidential message called for expedited consideration by Congress of the request for a total of $300 million in supplemental FY87 ESF funds for the Central American democracies. Of this total, El Salvador would receive $152 million, mostly for earthquake-related assistance, Honduras would receive $65 million, and Guatemala and Costa Rica would each receive $40 million.

Whatever the outcome of the Administration's request for FY87 supplemental funding for Central America, the Administration's March 1987 report becomes a new benchmark for Congress in its consideration of funding for the Kissinger Commission recommendations.

K. Larry Storrs, Analyst in Latin American Affairs, Foreign Affairs and National Defense Division

99TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
99-474

SUPPORTING THE CONTADORA PROCESS

FEBRUARY 26, 1986.—Referred to the House Calendar and ordered to be printed

Mr. BARNES, from the Committee on Foreign Affairs,
submitted the following

REPORT

[To accompany H. Con. Res. 283]

The Committee on Foreign Affairs, to whom was referred the concurrent resolution (H. Con. Res. 283) to reaffirm support for the agreement on a framework for negotiating a peaceful settlement to the conflict and turmoil in Central America, which resulted from the initiative of the Contadora group, having considered the same, report favorably thereon without amendment and recommend that the concurrent resolution do pass.

SUMMARY

House Concurrent Resolution 283 (1) reaffirms the support of the Congress for the Contadora initiatives and the resulting Document of Objectives, which sets forth a framework for negotiating a peaceful settlement to the conflict and turmoil in the region, and international reconciliation and democracy within Nicaragua; (2) affirms the support of the Congress for the Caraballeda Message Towards Central America's Peace, Security and Democracy, which seeks peaceful solutions to the conflicts in the region; and (3) reaffirms the belief of the Congress that the United States should provide such assistance and support as may be appropriate in helping to reach final agreements based on the goals of the Document of Objectives and the Caraballeda Message.

COMMITTEE ACTION

House Concurrent Resolution 283 was introduced on February 6, 1986, by the Honorable Mel Levine, with bipartisan cosponsorship. On February 20, the resolution was considered and ordered favorably reported by the Committee on Foreign Affairs by unanimous voice vote.

OVERSIGHT FINDINGS AND RECOMMENDATIONS

House Concurrent Resolution 283 is the result of extensive hearings and oversight activity, including study missions to Central America, by members and staff of the Committee on Foreign Affairs and its Subcommittee on Western Hemisphere Affairs.

BACKGROUND

The following section sets forth the history of the Contadora process and the relevant Contadora documents. The first part, which provides an historical and analytic review, is a CRS issue brief entitled, "The Contadora Initiative: Implications for Congress," by Nina M. Serafino of the Foreign Affairs and National Defense Division of the Congressional Research Service, dated February 3, 1986.[1] The second part presents six documents: The initial Contadora accord, known as the "Contadora 21 Points," put forward September 9, 1983, by the governments of the four Contadora countries of Colombia, Mexico, Venezuela, and Panama and later consented to by the five Central American countries of El Salvador, Guatemala, Honduras, Costa Rica, and Nicaragua; the January 1984 "Panama Resolution," setting forth principles for implementation of the commitments of the Document of Objectives, adopted by all nine countries; the fourth and latest draft of the Contadora Act for Peace and Cooperation in Central America, drafted by the four Contadora countries; the "Carabellada Message Towards Central America's Peace, Security, and Democracy," issued January 12, 1986, by the four Contadora countries and by the four group of support countries of Argentina, Brazil, Peru, and Uruguay and agreed to by the five Central American countries on January 14 in the "Declaration of Guatemala;" and "Communique Issued by the Members of the Contadora Group and the Group of Support After Meeting with U.S. Secretary of State George Shultz," February 10, 1986.

I. HISTORY OF THE CONTADORA PROCESS [2]

ISSUE DEFINITION

In January 1983, the foreign ministers of Mexico, Venezuela, Colombia, and Panama met on Contadora Island, off the Pacific coast of Panama, to consider means to resolve conflicts in Central America. Their particular concern was to alleviate tensions between Nicaragua and the United States that they feared were turning Central America into a focal point of East-West confrontation. In a process that became known as the "Contadora Initiative," these four states began to mediate disagreements among Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Eventually, the four "Contadora Group" states and the five Central American nations set the ambitious goal of negotiating a comprehensive agreement on Central American political, economic, and security issues.

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[1] The CRS issue brief, while deemed to be an accurate depiction of the facts involving the Contadora process, does not necessarily represent the views of the members of the Committee on Foreign Affairs.

[2] By Nina Serafino, Congressional Research Service.

In late 1985, the Central American countries began studying the third version of a draft treaty prepared by the Contadora countries. In early December 1985, the Central American countries agreed to postpone discussion on unresolved issues for five months, during which time three new elected govenments would take office in Central America. According to some reports, unresolved issues appear to be arms control and reduction, verification, and military exercises.

Almost since its inception, the multilateral initiative has been strongly favored by some Members of Congress as a peaceful alternative to what they have viewed as a misguided confrontational approach by the Reagan Administration towards U.S. problems in Central America posed by the leftist Sandinista revolution in Nicaragua and the civil conflict in El Salvador. But other members of Congress and the Reagan Administration, while declaring their support for the Contadora Initiative, have stated that U.S. backed military efforts are necessary to protect our allies in the region and strengthen their negotiating position.

In legislation passed in July 1985, Congress approved the expenditure of $2 million by the Secretary of State for implementation expenses if the Central American countries should reach an agreement based on the Contadora Document of Objectives. In considering the situation in Central America and U.S. policy toward Nicaragua, Congress may wish to consider whether the Contadora process merits continued support.

BACKGROUND AND POLICY ANALYSIS

The background and policy analysis portion is divided into the following sections:

I. Brief History of the Initiative and the U.S. Role
II. Current Status and Key Difficulties
III. Role for Congress and Current Options

Related CRS products are: Issue Brief 84139, U.S. Assistance to the anti-Sandinista Guerrillas; and CRS Report 84-547 F, Status of the Contadora Process, Feb. 24, 1984.

I. Brief history of the initiative and the U.S. role origins, evolution and purposes

The January 1983 meeting of the Foreign Ministers of Mexico, Venezuela, Colombia, and Panama was prompted by shared concerns regarding Central America.

Their primary concern was that Central America was increasingly becoming a focal point of East-West tensions. during 1981 and 1982, while Nicaragua acquired Soviet weapons, trained an expanding army with Soviet and Cuban advisers, and provided a conduit for some, albeit debated, degree of Soviet and Cuban assistance to the Salvadoran guerrillas, the United States increased its military presence in Honduras and El Salvador and its rhetoric against the Sandinista government. Officials of the Contadora Group countries particularly feared that if the United States continued to view the problem as primarily a strategic one of denying the Soviet Union a foothold on the mainland of the Western Hemisphere, it would ultimately respond with unilateral U.S. military action, possibly an invasion of Nicaragua.

At the same time, they judged that U.S. policy in Central America would result in a substantial and prolonged U.S. military presence in the area. In their judgment, this would reassert U.S. dominance and reduce national autonomy in the region, and would strengthen the conservative elites and exacerbate the socio-economic conditions which they perceived as the root cause of conflicts there.

The Contadora Group countries also worried about the escalating domestic conflicts in Nicaragua and El Salvador. They feared that the activities of the reportedly growing numbers of anti-Sandinista guerrillas, based in Honduras and funded by the United States, could provoke a regional war. An apparent radicalization of the Nicaraguan leadership likewise troubled some of the Contadora Group, fearing Sandinista intentions to foment revolution in the region. In El Salvador, many officals from Contadora Group countries felt that U.S. military assistance to the Salvadoran army was designed to secure a military victory over leftist forces, rather than to create conditions for their preferred solution, the left's peaceful reintegration into the Salvadoran political system.

The foreign ministers of the four "Contadora Group" countries first met in Panama with the five Central American foreign ministers in April 1983. Subsequently, these officials established ambitious and compehensive goals in two documents: the October 1983 Document of Objectives and the January 1984 "Panama Resolution," labeled the "principles for the implementation of the commitments of the Documents of Objectives." (Cited and reproduced in CRS Report 84-547 F.) Four different treaties have been proposed during the Contadora process. The Contadora Group submitted the first draft treaty to the Central American countries in mid-1984. Objections led to a revised "Contadora Act on Peace and Cooperation" which was presented on Sept. 7, 1985, to the Central American countries for their "refinements" and signature. Nicaragua announced on Sept. 21, 1984, that it was willing to sign the revised draft treaty, as it was, if the United States would sign an appended protocol pledging to support it. But the other Central American states and the United States had substantial reservations, particularly about the security provisions. On Oct. 20, 1984, Costa Rica, El Salvador, and Honduras presented a third proposal, known as the "Act of Tegucigalpa," which reportedly had been drafted in close collaboration with the United States. This was rejected by Nicaragua. Finally, after 10 months of talks and negotiations, the Contadora Group presented on Sept. 12, 1985, a revised draft treaty, which includes compromise language concerning the differing security provisions of the Sept. 7, 1984 and the Oct. 20, 1984 proposals.

Politically, the goals of the Contadora process aim to promote systems of government in the five Central American countries based on democratic and pluralistic principles. Economically, the goals envisage developing Central American economies through mutual efforts and by reviving institutions and mechanisms of regional economic integration.

Security goals emphasize: (1) ending support for armed insurgencies and arms trafficking in Central America; (2) halting military buildups and reducing the military strength of countries in the area by placing ceilings on the number of troops and arms that each country could possess; and (3) ending the foreign military presence in the region. This last goal was to be reached by gradually reducing the numbers of foreign military advisers until none remained, and by forbidding the establishment in the region of foreign military bases or any other form of foreign military interference.

Some participants in the Contadora meetings, as well as observers, expected that an agreement combining these elements would bring economic gains. Immediate gains would come from reducing high military expenditures and ameliorating civil strife. Longer term gains would ensue from building mechanisms for economic development, stabilization, and regional integration. It was hoped that these results would provide funds for social programs and increase the prospects for political stability. These potential benefits were seen as inducements to overcome continued distrust among Central American governments and prompt them to sign. In particular, some Central American government officials said they feared that Nicaragua would never foreswear spreading revolution and would inevitably violate any treaty that it signed; Nicaragua's Sandinistas fear that the United States and its friends in Central America would try to use the Contadora Initiative to drive them from power.

U.S. role

The United States, as well as Cuba and the Soviet Union, were not directly involved at the start of the Contadora process, but Contadora countries recognized that all were protagonists in the Central American conflicts and would have to support any final accord if it were to last. Some Contadora officials thought that the United States and Cuba might later be brought directly into the negotiations. Many also believed that the United States would have to register clear support for the Contadora process at the outset to convince all Central American parties to negotiate seriously. They thought that the United States would do so because the Contadora objectives parallelled the previous U.S. position on important security matters. As outlined in mid-1982 by Assistant Secretary of State for Inter-American Affairs Thomas O. Enders, the United States proposed that the Central American countries agree to end the export of subversion, to end the regional arms buildup by a commitment by all countries not to bring in specific weapons, and to limit foreign involvement by setting a common ceiling for each country on the number of outside military and security advisers and troops, or perhaps by removing them altogether. These agreements were to be subject to comprehensive verification.

However, the Reagan Administration and the Contadora Group countries differed on some issues, particularly on the situations in El Salvador and Nicaragua. In Nicaragua, the Administration believed substantial pressure including military force was necessary to induce the Sandinistas to broaden political rights and hold fair elections, while some Contadora Group officials cited U.S. pressures on Nicaragua as an obstacle to greater pluralism there. In El Salvador, the Administration held that the left should be allowed to participate in elections sponsored by the standing government; Contadora Group officials in general appeared to prefer more accommodation of leftist demands for a change in government, perhaps leading to the establishment of a new, temporary government made up of all groups in conflict to set conditions for fair and free elections.

These differences and the Administration's strong distrust of the Sandinistas appeared to block active U.S. support of the Contadora process through much of 1983, although it gave its verbal backing. In July 1983, President Reagan expressed "strong support" for the Contadora process in a letter to the presidents of the Contadora countries. In it, he wrote he believed "a solution to the crisis in Central America must encompass four basic principles." The first was the establishment and strengthening of democratic institutions to ensure "free and open participation in the democratic process . . ." The others were: respect for non-intervention, including "a ban on support for subversive elements that seek to destabilize other countries;" the removal of the conflict in Central America "from the context of an East-West confrontation, through such measures as a verifiable withdrawal of all foreign military and security advisers and a certifiable freeze on the acquisition of offensive armaments;" and the fostering of economic growth.

An international support and congressional backing for the Contadora Initiative grew and as the initiative began to take form with the adoption of a Document of Objectives in October 1983, the Administration started to actively examine the issues involved in formulating a final treaty. In early 1984, the Administration began to participate actively in the process by proposing verification criteria and procedures. It reportedly offered to fund a major part of verification activities and considered giving substantial financial assistance to help implement economic goals set forth in an agreement, thereby increasing the incentives for countries, particularly Nicaragua, to sign.

Meanwhile, in a related move requested by the Contadora countries and considered vital to the success of the initiative, the United States and Nicaragua in mid-1984 began bilateral talks, most of which took place in Manzanillo, Mexico. Reportedly, the talks centered on the United States and Nicaraguan positions on the Contadora Initiative. They were suspended, after nine rounds, in January 1985. Nicaraguan officials stated they sought these talks to secure a separate U.S. guarantee that the United States would abide by any Contadora document. On the other hand, U.S. officials stated that the talks were broken off because Nicaragua sought a bilateral agreement with the United States on security issues in lieu of a Contadora document. They stated that the United States would resume talks with Nicaragua "if doing so would, in their judgment, contribute to a comprehensive Contadora agreement."

On July 1985, the Foreign Ministers of the Contadora Group countries formally urged the United States and Nicaragua to resume negotiations as one step to help advance the peace process. (In their communique of July 22, the Contadora Foreign Ministers also urged the Central American countries to put a brake on the arms race, intimidating acts of force and support for irregular forces. They also stated that the Central American countries should take measures to consolidate and strengthen democratic systems and processes of national reconciliation.) The United States reportedly indicated, however, that it would not resume talks with Nicaragua until that government took steps towards "internal reconciliation," i.e., until the Nicaraguan government began talks with its arms and unarmed opposition.

In view of past criticism that the United States has been an obstacle to the Contadora Initiative because of its objections to certain earlier provisions, U.S. officials now state that the United States is taking no position on the provisions of the September 1985 proposed treaty. Apparently, however, U.S. officials object to the new draft's provisions on military maneuvers.

II. Current status, key provisions and points of disagreement

On Sept. 12, 1985, the Contadora Group presented a newly revised draft treaty to the Central American countries. It contains compromises on the points in dispute between its Sept. 7, 1984 draft and the October 1984 "Act of Tegucigalpa" counterproposal of three Central American countries. A Nov. 20 deadline was set on negotiations leading to signing, but most likely that will be extended

As of early November 1985, the Costa Rican and Honduran foreign ministers made statements indicating that their countries were willing to sign the September 1985 draft, although it is not clear whether that is an official and final position of their governments. Nicaragua, on the other hand, announced on Nov. 11, 1985 that it had some problems with the document—principally on provisions on military maneuvers and on foreign advisors. In addition, President Daniel Ortega announced that Nicaragua was unwilling to begin negotiations on military reductions called for by the treaty unless the United States made concrete commitments to provide a minimum degree of security for Nicaragua. The Nicaraguan government also desires that certain of the Contadora commitments be implemented before the document is signed, specifically commitments on terrorism, sabotage, subversion, and support for irregular forces.

In early December 1985, the Central American countries agreed to a proposal by Nicaragua to suspend negotiations on the draft treaty until May 1986. Many analysts believe that the postponement signifies a lack of desire by the Central American countries to compromise further in order to reach an agreement. Some believe that Nicaragua suggested the postponement in hopes that it might be able to negotiate what it would view as a more favorable treaty if negotiations resume, as three Central American governments are scheduled to change before May. Newly elected governments in Honduras and Guatemala will be installed in January, and Costa Rica's presidential elections are scheduled for February, with the new government to take office in April.

General Provisions

The political, economic, and social commitments outlined by the September 1985 version of the draft treaty are almost identical to those of the earlier proposals. Differences in the draft treaties and the current positions of the Central American countries center largely on procedural, implementation, verification, and enforcement matters of the security provisions.

The Contadora process appeared to have been given a new impetus in January 1986, however. On Jan. 12, 1986, the foreign ministers of the four Contadora Group countries and of the four "Support Group" countries (Argentina, Brazil, Peru and Uruguay) proposed a formula to break stalemated negotiations. In a declaration signed in Caraballeda, Venezuela, the eight countries called for a climate of mutual trust to be established by the simultaneous execution of nine points.

These are: (1) the conclusion of negotiations aimed at signing the Contadora act; (2) an end to support from abroad for irregular forces [the anti-Sandinista guerrillas]; (3) an end to support for insurrectional movements; (4) a freeze on the purchase and distribution of arms; (5) the suspension of international military maneuvers; (6) the progressive reduction with the aim of eliminating the presence of foreign military advisers and foreign military installations; (7) unilateral declarations of non-aggression by the Central American countries; (8) effective steps toward national reconciliation and the total observance of human rights and individual liberties; and (9) the promotion of regional and international social and economic cooperation.

The Contadora Group and Support Group countries also offered their services as mediators to: (1) promote new national reconciliation measures; (2) encourage acceptance of the Guatemalan President Vinicio Cerezo's proposal to establish a Central American parliament to discuss the regional situation; and (3) encourage the reestablishment of bilateral talks between the United States and Nicaragua.

The foreign ministers of the five Central American countries subsequently endorsed the so-called "Caraballeda" document in a separate statement signed in Guatemala City on Jan. 14, 1986. Two days later, Nicaraguan President Daniel Ortega issued a separate communique implying that the Nicaraguan government viewed the renewal of conversations between the United States and Nicaragua as a necessary step for Nicaragua to resume negotiations with the other Central American countries under the Contadora initiative.

Thus far, however, under the political provisions, the Central American countries would commit themselves to adopt measures to further the development of representative and pluralist democratic systems, to take specific steps to improve their electoral systems and to ensure honest and periodic elections, and to protect human rights. In countries suffering civil strife, the governments would also promise to take steps to promote national reconciliation, and to create the mechanisms for a dialogue with and amnesty for their opponents.

The economic and social commitments set out provisions covering the protection, support, and voluntary repatriation of refugees.

The commitments also provided for steps to reactivate and strengthen mechanisms for Central American integration and to improve jointly the region's economic conditions.

The security provisions outline a framework for freezing arms imports, ending international military manuevers, dismantling foreign military bases and schools, and ending arms trafficking and support for armed opposition movements in the region. And the provisions define the conditions for further negotiations to set limits on the levels of arms and of military personnel and installations, and to withdraw foreign advisers.

Key provisions and points of disagreement

The various propose drafts of the Contadora treaty have differed largely on the security provisions. All set forth a framework with the goals of negotiating the level of arms, troops, and military installations, and the extent of foreign military presence. But the specific framework—i.e., the preconditions and timetable for negotiations on these matters—is different in each draft. There have also been differences over verification provisions. These issues are discussed below.

Timing and conditions of negotiations and implementation

The September 1985 draft treaty proposes that a process of negotiations on acceptable levels of military arms, installations, and personnel begin simultaneously upon signature of the document by the five Central American countries. Also upon signature, the Parties are called on to suspend the procurement of war materiel (except spare parts) and to refrain from increasing their military strength until maximum levels of military strength are negotiated.

The formula for establishing limits on military capacity calls for two stages. In the first stage, a Verification and Control Commission (CVC) would receive inventories within 15 days of signature. Within 60 days of signature, the CVC must complete technical studies and suggest to the Parties the maximum levels of permissable military strength, taking into account a variety of criteria. In the second stage, beginning 60 days after signature (i.e., at the same time that the CVC makes its suggestions), the Parties would negotiate, within 30 days, the acceptable levels of military strength. If the Parties failed to establish limits, those suggested by the CVC would prevail until the Parties reach agreement.

In addition, "international" military maneuvers, i.e., maneuvers with the participation of troops with more than one country, would continue on a restricted basis until negotiations were completed on the acceptable levels of troop strength. Apparently, all other commitments would formally take effect upon ratification.

Levels of military strength

The provisions for negotiations on levels of military strength represent a compromise between the September 1984, and the October 1984, drafts, and the stated provisions of the various Central American countries. But they still are not satisfactory to all parties.

Nicaragua apparently would still prefer a formula closer to that set forth in the September 1984 draft. That draft had provided for an indefinite freeze on the acquisition of all military materiel, an end to support for insurgent groups, and a halt to joint military even before negotiations on these matters. This provision was maneuvers—designed, according to officials from Contadora Group countries, to reassure Nicaragua that it could participate in talks to limit military strength without jeopardizing its security.

Officials from other Central American countries reportedly felt that arrangement gave Nicaragua an undue advantage. They stated that the arrangement gave Nicaragua what it wanted from a Contadora treaty—principally an end to international military maneuvers and to support for the anti-Sandinista guerrillas—and left them with little incentive to negotiate to reduce levels of arms, foreign advisers, troops, and military installations. Instead, they proposed only a limited arms freeze that would last 60 days, during which would begin a 90-day period for negotiating limits on military capacity. The rest of the commitments were to become binding simultaneously, upon ratification.

The present proposal apparently is still unacceptable to Nicaragua. Nicaraguan President Daniel Ortega stated on Nov. 11, 1985, that these provisions of the September 1985 draft are unacceptable as long as Nicaragua is under military attack by forces supported by the United States. Nicaragua argues that it cannot agree to reduce arms and troops until U.S. support for the anti-Sandinista guerrillas ends and unless the United States publicly promises not to invade Nicaragua. Specifically, Nicaragua wants the United States to sign a protocol pledging to "cease its aggression in all forms," agree to the commitments on international military maneuvers, and abide by any decision of the International Court regarding the case which Nicaragua has brought there against the United States for its support of the anti-Sandinista guerrillas.

Also, Nicaragua objected to the provisional enactment of CVC limits on arms, troops, and installations if the Parties should fail to negotiate their own limits within a certain period, contending this violated a state's fundamental rights. And it still wants an end to support for insurgent forces as a precondition for negotiations. Nicaragua also protested the September 1985 draft's addition of a moratorium on troop increases to take effect at the same time as the freeze on the acquisition of military materiel, stating it cannot promise to do so if it is still under military attack.

Reportedly, Honduras and El Salvador initially objected to some aspects of provisions for the reduction of arms. It is not clear what the specific objections were, nor whether those countries still find them objectionable.

Level of foreign military presence

The levels of foreign military presence are addressed in provisions on international military maneuvers and on the levels of foreign advisers.

On "international" or joint military maneuvers, the 1985 agreement provides for restrictions until agreement is reached on acceptable levels of military strength. These restrictions call for countries to give advance notice of any international maneuvers, limit them to once a year with the participation of no more than 3,000 troops (of which a majority must be of the host country), and specify that they should not take place within 30 miles of an international border. In practical terms, these provisions would severely limit the type of U.S.-Honduras joint maneuvers carried out in the last few years. However, this provision is more lenient than the September 1984 draft, which called for an outright prohibition on such manuevers. It is much stricter than the October 1984 draft, which would have allowed such maneuvers if the Parties gave a 30-day notice before conducting them.

There were some reports in October 1985 that Honduras and possibly El Salvador objected to the provisions providing for the eventual end of "international" maneuvers. It is unclear if this remained an official position as of early 1986.

Nicaragua's current position is that the international maneuvers must be prohibited at the same time that weapons acquisitions are frozen. In addition, Nicaragua wants the United States to be prohibited from conducting unilateral maneuvers in the area, which Nicaragua claims are used to intimidate it. Nicaragua is also now proposing that the treaty prohibit foreign troops from ever using Central American territory.

Some U.S. officials have held in the past that the United States must continue to participate in maneuvers in Central America, both because it is a cost-effective way of training Central American troops and because it helps ensure the preparedness of U.S. troops to protect hemisphere security. They have stated that a complete ban on maneuvers is not necessary to reduce tension in the region.

Concerning foreign advisers, the September 1985 draft requires the Parties to withdraw foreign military advisers and personnel capable of participating in military, paramilitary, and security activities with six months of signature. Acceptable levels of foreign advisers "performing technical duties related to the installation and maintenance of military equipment" are to be set, with suggestions from the CVC.

This again is a compromise position. A complete withdrawal of all foreign military advisers was one of the initial objectives of the Contadora initiative. The September 1984 draft had called for the Parties to begin, within 30 days after signature, negotiations to set a timetable for the phased withdrawal "with a view to the removal" of foreign military advisers and other foreign elements. It also called for the immediate withdrawal of any advisers performing operational and training functions, but would allow some reasonable level of advisers performing technical functions related to the installation and maintenance of military equipment.

The October 1984 counterproposal was similar. It called for the Central American countries to develop a schedule within 90 days of signing for the "reduction, with a view to the withdrawal, of foreign military advisers and other foreign personnel capable of participating military, paramilitary, and security activities." There was no provision for the immediate withrawal of advisers; and a temporary ad hoc disarmament body was to set limits for advisers performing technical duties relating to the installation and maintenance of military equipment.

Nicaragua's negotiating position is that all foreign military advisers, including those who exercise technical functions, must be removed. On the other hand, Nicaragua finds unacceptable the provisions that would also remove "foreign elements capable of participating in military activities" as vague and ambiguous. Presumably, this was meant to affect its Cuban and Soviet bloc civilian advisors, and other personnel.

Early in 1985, some U.S. officials stated that they would refuse to accept the removal of all U.S. advisers, and wanted a common, low limit set. More recently, other U.S. officials have stated that the United States has no position on the number of advisers. Although some undoubtedly would maintain that the United States must be able to maintain at least some level of military relations traditional between friendly governments.

Other provisions would indirectly affect the level of foreign military presence. A suspension of the acquisition of military materiel and limitations on the Central American arsenals would curb the amount of military aid that the United States, the U.S.S.R., Cuba, and other countries now give to Central American countries. Such limitations would depend on negotiations and on the recommendations of the CVC.

Also, like the September 1984 draft, the 1985 draft calls for the elimination of foreign military bases and installations within 6 months of signature. While it is doubtful that the foreign military bases exist in Central America as defined in an annex to the 1985 draft, military installations primarily for U.S. personnel are in operation in Honduras. Similar Soviet or Cuban operations may exist in Nicaragua as well. The removal of these installations may prove to be objectionable for those sponsors, although no public comment has been reported on the subject.

Nicaragua now also proposes that the Contadora treaty contain a provision prohibiting foreign elements from having access to or participating in any military bases, schools, or installations in the region.

Verification of security provisions

The September 1985 draft responds to many concerns expressed in the October 1984 draft and voiced by the United States. It considerably strengthens the mechanisms for verification. However, many of the specifics on the procedures for verification that has not yet been made public.

Under the September 1985 draft, the main mechanism for insuring compliance with the security commitments is the Commission for Verification and Control in Security Matters (CVC). It would have the power to examine reports of alleged violations and to conduct on-site investigations on its own or upon request before issuing a confidential report with recommendations to the Parties concerned.

The Commission would be composed of four Commissioners from states of recognized impartiality who are nominated by the Contadora Group and approved by the Parties (apparently by unanimous vote). Overseeing the daily operations of the Commission would be a Latin American Executive Secretary nominated by the Contadora Group and approved by the Parties by consensus. Aiding the Commission would be an International Inspectorate provided from the States of the Commission, and a group of consultants representing each Central American state. The Commission would be installed upon signature.

A dispute regarding the application of the act would first be referred to the Ministers of Affairs of the Central American states for a decision by unanimity. If that fails, it would be referred to the Contadora Group, which would use its Good Offices (i.e., mediation) in an attempt to resolve it. If the dispute persists, the Contadora Group would then suggest another peaceful means to resolve the dispute in line with the provisions of the charters of the Organization of American States and the United Nations.

The September 1985 draft responded to concerns about weak verification mechanisms by giving the Commission authority to conduct on-site investigations on its own initiative. However, the procedure for resolving disputes remains closer to the September 1984, draft than to the October 1984 counterproposal, which would have given more power in the resolution of disputes to the Central American foreign ministers. Under the latter formula, the first attempt to resolve a dispute would be by a consensus of the Central American foreign ministers (rather than unanimity), and any appeal of their recommendations would go to a joint group of the Central American and Contadora Group foreign ministers.

Nicaragua had objected to this latter formula, claiming that the other Central American countries could not be considered impartial judges. Despite the change, Nicaragua still has objections to the manner in which the verification commission on security matters, as well as the bodies which would monitor compliance with social, economic and political commitments, would function. However, Nicaragua has not publicly detailed its objections.

There has been no information concerning the positions of the States involved in the Contadora process on the verification procedures that are being secretly discussed. Whether the proposals meet previous U.S. objections is also unclear.

Democracy and national reconciliation

The September 1985 document and the previous treaty drafts speak only in general about the need for national reconciliation and the establishment of democratic institutions. They leave to the initiative of each country the means and timing of achieving these goals. How these goals would be implemented will likely be subject to differing interpretations, not only because the provisions are vague, but because the goals represent an uneasy compromise between Central American states that wanted more specific political commitments and those who wanted none. The draft treaty does establish a special commission on political and refugee affairs to monitor compliance with commitments. However, this commission could only make recommendations for fulfilling commitments, it would have no means of enforcing compliance.

All the Central American countries apparently accept the political provisions. Nicaragua, although it states that it accepts the political goals and recommendations, apparently has some objections to the procedures of the monitoring body.

To date, the United States has not publicly commented on these political provisions, although the United States would like to see negotiations between the Nicaraguan government and its armed and unarmed opposition well underway before a Contadora treaty is signed, and favors the Nicaraguan Catholic Church as a mediator. According to some sources, the Contadora countries would be willing to mediate or encourage negotiations in Nicaragua, but only between the Sandinista government and its unarmed, or "civic" opposition.

The Contadora Group and Contadora Support Group countries will probably present a proposal for new measures concerning national reconciliation shortly, as a result of the signing of the Caraballeda document.

III. Role for Congress and current options

Past congressional support for Contadora

During 1983, many Members voiced support for the developing Contadora process. Such broad and bipartisan support, however, seemed to accommodate markedly different views on what U.S. interests in Central America were and on how the still nebulous Contadora Initiative could advance those interests. Some saw the Contadora Initiative as an alternative to what they viewed as a military-oriented Administration policy; a promising means to promote peace and democracy in Central America; and a way to avoid an undesirable unilateral U.S. military action there. Others believed that support for the initiative had to be supplemented with strong U.S. military and other actions designed to help quell the leftist insurgency in El Salvador and pressure the Sandinistas to liberalize Nicaraguan politics and reduce ties with Cuba and the U.S.S.R.

Congress voted in the December 1983 Intelligence Authorization Act for FY 84 (P.L. 98-215) to require the President to support Contadora efforts. In 1984, Congress issued another call for U.S. support of the initiative when the House (by a vote of 416-0 on May 1) and the Senate (by a voice vote on June 29) approved H. Con. Res. 261. The resolution stated that the Congress strongly supported the Contadora principles and objectives, and believed that the United States should support efforts to translate the agreed principles into practice.

Although the Administration continued to affirm support of the initiative, many Members came to see Administration policy as undermining the Contadora process. In particular, the increasing U.S. military presence in Honduras and U.S. support for the anti-Sandinista guerrillas were seen as inconsistent with support for the Contadora search for regional peace. As a result, in October 1984, Congress mandated in P.L. 98-473 (the continuing resolution for FY 85 appropriations) that Administration decisionmakers take into account the effect of U.S. policy on the Contadora Initiative. Specifically, P.L. 98-473 required that any Administration request to resume funding to the anti-Sandinista guerrillas must show how such aid would further the goals of U.S. policy for Central America, including the achievement of peace and security in Central America through a comprehensive, verifiable, and enforceable agreement based upon the Contadora Document of Objectives. In July 1985, Congress again reaffirmed its support of Contadora in the Foreign Aid Authorization Act of FY 85 (S. 960) and authorized $2 million to support the implementation of a Contadora treaty. At the same time, Congress urged the President to resume bilateral talks with Nicaragua as a means of supporting the Contadora process.

Role for Congress in the Contadora initiative

Although Congress may be requested to approve funds in support of a future Contadora treaty or offer advice and consent to a U.S. commitment to a Contadora treaty or protocol, congressional action over the near term is likely to be limited to holding hearings to consider whether Administration actions reflect Congress' instructions to support the Contadora objectives, and to making statements and adopting resolutions regarding the Contadora process. At present, Members appear to have three general options: (1) making statements, approving resolutions, or otherwise expressing unconditional support for the initiative; (2) approving resolutions or otherwise voicing support for positions that favor the Contadora process but setting firm conditions on U.S. support for any final treaty, or establishing clear reservations about particular treaty provisions; or (3) taking positions or supporting resolutions that would impede or express disapproval of the initiative.

Current options

Support the Contadora initiative and a final treaty without reservation

According to supporters of the Contadora Initiative, the adoption of any Contadora treaty represents the best available means of achieving U.S. political, economic, and security objectives in Central America. From this perspective, an agreement acceptable to U.S. allies in the region should be acceptable to the United States. In their view, the main virtues of such a treaty are the means it would provide to reduce regional conflict while providing multilateral framework to pressure and act against Nicaragua if the Sandinista government should continue to support subversive movements and thus violate the treaty.

Members of Congress favoring this approach tend to see increased U.S. military presence and unilateral U.S. actions in the region, particularly those that appear to be aimed at destabilizing the Nicaraguan government, as having little chance of lasting success but having major potential drawbacks. The drawbacks could include broad international censure; the possibility that Central Americans will weary of the relatively high U.S. military presence; and the temptation to use military force—particularly a direct intervention in Nicaragua.

These supporters of the initiative also tend to believe that democratic solutions to the problems of Central America—particularly the situations in Nicaragua and El Salvador—will come only gradually and will develop best through comprehensive efforts (such as that proposed by the Contadora Initiative) that address the interrelated social, political, and economic problems there. A Contadora settlement is also seen as a means to lessen the level of Central American conflict (to varying degrees in each country depending on the extent to which insurgent groups rely on outside assistance), and to reduce the flow of hundreds of thousands of refugees to other countries in the region and to the United States. With drastic reductions in civil conflicts and military tensions, the large amounts of U.S. economic aid to Central America would be better able to improve life there, the argument runs.

To achieve the goals of the initiative, these Members of Congress in favor of the initiative appear inclined to urge the Administration to give strong signs of support for the initiative, to demonstrate flexibility concerning its key provisions, and perhaps to resume separate U.S. talks designed to reassure Nicaragua. These Members also apparently want to link U.S. military and economic aid to El Salvador and Honduras to the Administration's support of the Contadora Initiative. Most of the Members would tend to view U.S. support for anti-Sandinista guerrillas as an obstacle to Contadora negotiations and would prefer to terminate such aid; in their view, the aid would not only pose an impediment to getting the Nicaraguans to sign a Contadora treaty, but would probably torpedo subsequent negotiations to set limits on Central American military forces. In particular, according to their view, if the Sandinistas perceive that they would face a continued threat from the contras even if a Contadora treaty were signed, they would probably avoid setting low limits on their arsenals, military installations, and troop strength. Of course, some Members who strongly support the Contadora Initiative may judge that aid to the contras could provide a useful, if temporary source of pressure on the Sandinistas to begin negotiations; these same Members would also be likely to urge requiring the Administration to cease support for the contras' military activities if Nicaragua signed a regional peace treaty under Contadora.

Support the Contadora initiative with conditions

1. Support the Reagan administration position

Many Members of Congress, with the Reagan Administration, support the Contadora process in principle, but they require a treaty meet certain U.S. conditions. In particular, the Reagan Administration and some Members argue that the Contadora treaty must allow the United States to continue its normal military relations and operations in the region, and must contain verification provisions strong enough to deter cheating by Nicaragua. These Members believe it is necessary to maintain a strong U.S. military presence to ensure the United States' continued capacity to act in the area and as a sign of U.S. determination to act, if necessary.

To achieve their goals, these Members would be inclined to urge the Administration to support the Contadora Initiative, but with clear limits. They would be less inclined than the previous group to push for a resumption of U.S. talks with Nicaragua or to link U.S. aid to El Salvador and Honduras to the Administration's support of the Contadora process. Some of this group would support renewed U.S. funding for the anti-Sandinista guerrillas, as a way to pressure the Sandinistas to meet U.S. conditions on a Contadora treaty. Others presumably would judge that support inconsistent with U.S. support for the Contadora process.

2. Reserve judgment on the administration position

Some Members may generally support the Reagan Administration's position but wish to reserve final judgment until negotiations have progressed further to see whether the Administration's insistence on maintaining a military presence in Central America and strong verification contribute to or detract from achieving a regional peace settlement under the Contadora Initiative. Thus, some think continued strong U.S. presence in the region, while desirable, is not strictly necessary to U.S. security; they might be willing to drop demands for a continued U.S. military presence, if the demands appeared to become an impediment to the conclusion of an otherwise acceptable treaty. Similarly, if most Central American countries resisted the verification provisions desired by the United States, these Members might wish to reexamine the need for such provisions in the interest of reaching a broadly acceptable agreement.

Because these Members are ambivalent about the Reagan Administration position, they are likely to support calls for resumed U.S. talks with Nicaragua, and for Administration flexibility in negotiations, but unlikely to link U.S. support to El Salvador and Honduras with U.S. support for the Contadora Initiative. They are likely to differ among themselves over a renewal of U.S. aid to the anti-Sandinista guerrillas.

3. Reexamine political commitments

In addition, there are Members who are concerned that the draft treaties' political provisions, which largely leave steps towards democratization to the discretion of each country, would not foster compromise between governments and their armed opponents, particularly in El Salvador and Nicaragua, and thus would bring only temporary peace. These Members may wish to withhold final support for Contadora until these provisions were revised and held greater promise for a meaningful political reconciliation, or until the governments of these countries gave concrete signs or made binding commitments to other organizations that they would put the provisions into effect, or were engaged in or had concluded negotiations with their opponents. (Provisions of the Foreign Aid Authorization Act for FY86 on Nicaragua and the Contadora process call for the United States to promote a church-mediated dialogue between the Nicaraguan government and all elements of the opposition in order to achieve national reconciliation, as called for by the Contadora Document of Objectives.)

Oppose the Contadora initiative and any form of support for a treaty

Members who oppose the Contadora Initiative say that it fails to provide a longterm solution to problems in the area because it does not reduce what they view as the danger to the rest of Central America posed by the Soviet-backed Sandinista government. In their view, Contadora treaty also would legitimize the Sandinistas and the leftist Salvadoran guerrillas. Opponents perceive a treaty as shoring up these groups, just as the trends in the area are moving against them. To them, the initiative is also seen as unacceptably restraining U.S. ability to act in its historical sphere of influence.

To achieve their objectives, these Members would encourage the Administration to avoid further endorsement of the Contadora process, encourage the United States to highlight the perceived shortcomings of that process, and continue a strong U.S. military-backed posture in support of U.S. friends in the region. These Members would favor resuming U.S. funding to anti-Sandinista guerrillas.

LEGISLATION

P.L. 99-83, S. 960

Foreign Aid Authorization Act for FY86. Conference report approved by Senate July 30, 1985, and by House July 31. Signed into law Aug. 8, 1985. Section 722 on Nicaragua recommends certain policy measures aimed at securing peace in Central America.

It states the Congress "supports efforts by the Contadora nations, the Organizations of American States, and other appropriate regional organizations to maintain nultilateral pressure on Nicaragua to fulfill its commitments" made to the Organization of American States by the Sandinista provisional junta in June 1979. Urges and requests the U.S. President to "pursue vigorously the use of diplomatic and economic measures to resolve the conflict in Nicaragua," including negotiations to implement the Contadora September 1983 Document of Objectives.

That section also authorizes $2 million for payment by the Secretary of State for expenses arising from implementation by the Contadora nations of an agreement among the countries of Central America based on the Document of Objectives, including peacekeeping, verification, and monitoring systems, to remain available until expended. Provides that the President may submit to Congress a request for budget and other authority to provide additional assistance to further the Central America peace process. The President may do so if, among other things, he determines that negotiations based on the Contadora Document of Objectives have produced an agreement or show promise of producing an agreement. (These funds are appropriated in P.L. 99-88, the Supplemental Appropriations Act for FY85.)

CHRONOLOGY OF EVENTS

01/14/86.—The Foreign Ministers of the five Central American countries endorsed the Jan. 12, 1986, "Caraballeda" declaration of the foreign ministers of the four Contadora Group countries and the four Contadora Support Group countries. The declaration proposed a new approach designed to break the perceived stalemate on Contadora negotiations.

12/08/85.—Contadora negotiations are suspended for five months.

09/13/85.—The Contadora countries and the five Central American countries ended a 2-day meeting called to discuss a new draft treaty drawn by the Contadora countries.

07/26/85.—During a visit to Mexico, U.S. Secretary of State George Shultz stated that the Nicaraguan government must seek to achieve "internal reconciliation" before the United States would resume bilateral talks with Nicaragua, reported the Washington Post.

07/22/85.—The Foreign Ministers of the Contadora Group countries formally called for the United States and Nicaragua to resume bilateral talks.

11/17/84.—The General Assembly of the Organization of American States adopted Resolution 702 urging the Central American States to end the Contadora negotiating process "with the prompt signature" of the draft treaty proposed on Sept. 7, 1984, by the Contadora Group countries.

10/26/84.—The United Nations General Assembly adopted Resolution 39/4 urging each of the Central American governments to "speed up its consultations with the Contadora Group with the aim of bringing to a conclusion the negotiating process with the early signing of the Contadora Act on Peace and Co-operation in Central American . . ."

10/20/84.—El Salvador, Honduras and Costa Rica proposed a draft treaty—the Act of Tegucigalpa—which corrected what they perceived to be the deficiencies of the Sept. 7 draft issued by the four Contadora Group countries

09/21/84.—Nicaragua announced that it would sign the draft treaty proposed by the four Contadora Group countries if the United States would sign an appended protocol.

09/07/84.—The four Contadora Group countries issued a draft treaty—the Contadora Act for Peace and Cooperation in Central America—for the consideration of the five Central American countries.

01/08/84.—The foreign ministers of the four Contadora Group countries and of the five Central American countries issued the "Panama Resolution" of the Contadora Initiative which established working groups from each Central American country to make recommendations on how to achieve the Initiative's goals.

11/21/83.—The United Nations General Assembly adopted Resolution 38/10 "expressing its firmest support" for the Contadora Group.

09/09/83.—The foreign ministers of the four Contadora Group countries issued the "Document of Objectives" of the Contadora Initiative, which set forth 21 objectives and goals on security, political, and socio-economic issues.

07/27/83.—The Washington Post published the text of a letter sent by President Reagan to the Contadora Group presidents, stating that his government had "consistently expressed strong support for the Contadora process" that must be oriented towards four principles: democracy, non-intervention, cooperation for economic growth, and the withdrawal of all foreign military and security advisers and a freeze on the acquisition of all offensive weapons.

07/18/83.—The presidents of the four Contadora Group countries wrote a letter to President Reagan, expressing concern with the "apparent deterioration" of the Central American situation, and invited President Reagan "to make common cause" with their objectives.

05/19/83.—The U.N. Security Council unanimously approved Resolution 530 (1983) commending the efforts of the Contadora Group and urging interested States to co-operate fully with it.

04/21/83.—The foreign ministers of the five Central American countries met with the foreign ministers of Colombia, Mexico, Panama, and Venezuela in the first meeting of the so-called "Contadora Initiative."

01/09/83.—Concluding a two-day meeting on Contadora Island, Panama, the foreign ministers of Colombia, Mexico, Panama, and Venezuela, (later known as the "Contadora Group" countries), issued a communique calling for the establishment of a climate of peace through dialogue and negotiations.

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II. CONTADORA DOCUMENTS

CONTADORA 21 POINTS

Document of objectives

Considering:

The situation prevailing in Central America, which is characterized by an atmosphere of tension that threatens security and peaceful coexistence in the region, and which requires, for its solution, observance of the principles of international law governing the actions of States, especially:

The self-determination of peoples;
Non-intervention;
The sovereign equality of States;
The peaceful settlement of disputes;
Refraining from the threat of use of force;
Respect for the territorial integrity of States;
Pluralism in its various manifestations;
Full support for democratic institutions;
The promotion of social justice;

International co-operation for development;

Respect for and promotion of human rights;

The prohibition of terrorism and subversion;

The desire to reconstruct the Central American homeland through progressive integration of its economic, legal and social institutions;

The need for economic co-operation among the States of Central America so as to make a fundamental contribution to the development of their peoples and the strengthening of their independence;

The undertaking to establish, promote or revitalize representative, democratic systems in all the countries of the region;

The unjust economic, social and political structures which exacerbate the conflicts in Central America;

The urgent need to put an end to the tensions and lay the foundations for understanding and solidarity among the countries of the area;

The arms race and the growing arms traffic in Central America, which aggravate political relations in the region and divert economic resources that could be used for development;

The presence of foreign advisers and other forms of foreign military interference in the zone;

The risks that the territory of Central American States may be used for the purpose of conducting military operations and pursuing policies of destabilization against others;

The need for concerted political efforts in order to encourage dialogue and understanding in Central America, avert the danger of a general spreading of the conflicts, and set in motion the machinery needed to ensure the peaceful coexistence and security of their peoples.

Declare their intention of achieving the following objectives:

To promote détente and put an end to situations of conflict in the area, refraining from taking any action that might jeopardize political confidence or prevent the achievement of peace, security and stability in the region;

To ensure strict compliance with the aforementioned principles of international law, whose violators will be held accountable;

To respect and ensure the exercise of human, political, civil, economic, social, religious and cultural rights;

To adopt measures conducive to the establishment and, where appropriate, improvement of democratic, representative and pluralistic systems that will guarantee effective popular participation in the decision-making process and ensure that the various currents of opinion have free access to fair and regular elections based on the full observance of citizens' rights;

To promote national reconciliation efforts wherever deep divisions have taken place within society, with a view to fostering participation in democratic political processes in accordance with the law;

To create political conditions intended to ensure the international security, integrity and sovereignty of the States of the region;

To stop the arms race in all its forms and begin negotiations for the control and reduction of current stocks of weapons and on the number of armed troops;

To prevent the installation on their territory of foreign military bases or any other type of foreign military interference;

To conclude agreements to reduce the presence of foreign military advisers and other foreign elements involved in miliary and security activities, with a view to their elimination;

To establish internal control machinery to prevent the traffic in arms from the territory of any country in the region to the territory of another;

To eliminate the traffic in arms, whether within the region or from outside it, intended for persons, organizations or groups seeking to destabilize the Governments of Central American countries;

To prevent the use of their own territory by persons, organizations or groups seeking to destabilize the Governments of Central American countries and to refuse to provide them with or permit them to receive military or logistical support;

To refrain from inciting or supporting acts of terrorism, subversion or sabotage in the countries in the area;

To establish and co-ordinate direct communication systems with a view to preventing or, where appropriate, settling incidents between States of the region;

To continue humanitarian aid aimed at helping Central American refugees who have been displaced from their countries of origin, and to create suitable conditions for the voluntary repatriation of such refugees, in consultation with or with the co-operation of the United Nations High Commissioner for Refugees (UNHCR) and other international agencies deemed appropriate;

To undertake economic and social development programmes with the aim of promoting well being and an equitable distribution of wealth;

To revitalize and restore economic integration machinery in order to attain sustained development on the basis of solidarity and mutual advantage;

To negotiate the provision of external monetary resources which will provide additional means of financing the resumption of intra-regional trade, meet the serious balance-of-payments problems, attract funds for working capital, support programmes to extend and restructure production systems and promote medium- and long-term investment projects;

To negotiate better and broader access to international markets in order to increase the volume of trade between the countries of Central America and the rest of the world, particularly the industrialized countries; by means of a revision of trade practices, the elimination of tariff and other barriers, and the achievement of price stability at a profitable and fair level for the products exported by the countries of the region;

To establish technical co-operation machinery for the planning, programming and implementation of multi-sectoral investment and trade promotion projects.

23

The Ministers for Foreign Affairs of the Central American countries, with the participation of the countries in the Contadora Group, have begun negotiations with the aim of preparing for the conclusion of the agreements and the establishment of the machinery necessary to formalize and develop the objectives contained in this document, and to bring about the establishment of appropriate verification and monitoring systems. To that end, account will be taken of the initiatives put forward at the meetings convened by the Contadora Group.

PANAMA RESOLUTION

Bulletin issued on January 8, 1984, in the city of Panama, at the closing of the meeting held by the ministers of foreign relations of the Contadora Group and of the Central American Countries

In Panama City, Republic of Panama, on January 7th and 8th, 1984, the Ministers of Foreign Relations of Colombia, Mexico, Panama, and Venezuela, members of the Contadora Group, met with their counterparts from Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

The meeting, which was the 12th conference of the Contadora Group and the 5th with the Central American ministers, was held on the first anniversary of the start of the process of bringing peace to the region initiated with the declaration of Contadora. Hence, the essential significance that the Contadora process has had to consolidate dialogue among all Central American states was underlined, as well as the search for a political understanding that may lead to peaceful and negotiated solutions to the conflicts, and to reestablish harmony and stability in the area.

During this joint meeting of ministers and within the framework of the Cancun statement on Central American peace, specific courses of action for the implementation of the document of objectives which was adopted by the Central American governments on September 1983, were defined. To this end, the enclosed document entitled "Norms for the Implementation of the Commitments of the Document of Objectives", related to regional security issues, political matters and economic and social cooperation, was adopted.

Panama, January 8, 1984.

Norms for the implementation of the commitments of the document of objectives

The governments of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua

Considering:

(1) That on September 1983 the document of objectives was approved by the five governments as a framework for the peace on the region.

(2) That it is necessary to implement the measures contained in said document.

Resolve:

I. To adopt the following norms for their immediate fulfillment:

1. Security issues

(A) To compile a record or detailed inventory of military facilities, armament and forces of each Central American state, with the aim of setting the criteria for the introduction of a policy of control and reduction of the same, and which foresees maximum limits and a reasonable balance of the forces in the region.

(B) To carry out a census and establish a schedule in each country for the reduction—in order to end their presence—of all foreign military advisers and other foreign elements which participate in military or security activities.

(C) To identify and to eradicate all forms of support, promotion or financing to groups or irregular forces which aim to destabilize the Central American governments.

(D) To identify and eradicate groups or irregular forces which form, or through, the territory of any Central American state, participate in destabilizing actions against another state of the region.

(E) To identify areas, routes and means used for the intra and extra regional illegal arms traffic, in order to eliminate such exchanges.

(F) To establish systems of direct communication in order to prevent or to resolve incidents among the states.

2. Political issues

(A) To promote national reconciliation on the basis of justice, freedom and democracy, and with these purposes to establish the necessary mechanisms that would facilitate the dialogue among the countries of the region.

(B) To guarantee a total respect of human rights, and to that end effectively observe the precepts established by international legal instruments and constitutional legislations on the subject.

(C) To promulgate, or to review electoral legislation, for the holding of elections which guarantee an effective popular participation.

(D) To establish independent electoral bodies for the creation of trustworthy and reliable electoral systems, which ensure the impartiality and democratic character of the electoral process.

(E) To establish or, where necessary, to update regulations which guarantee the existence and participation of political parties representative of the various opinion trends.

(F) To determine an electoral calendar and to adopt measures which guarantee the participation of political parties in conditions of equality.

(G) To endeavor actions tending to create a climate of political trust among the governments of the region in order to contribute to the removal of tension from the area.

3. Social and economic issues

(A) To increase assistance programs to Central American refugees and to facilitate voluntary repatriations through cooperation with the Governments involved, through communications and/or coordination with national humanitarian institutions and competent international organizations.

(B) To cooperate fully with the Central American Integration Bank, the Economic Commission for Latin America (CEPAL), the Active Committee for the Support of Economic and Social Development in Central America and with the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA).

(C) To jointly negotiate the acquisition of foreign resources that will allow the revitalization of the Central American systems of integration.

(D) To promote intraregional trade and a greater and better access of Cental American products to international markets.

(E) To further programs of joint venture.

(F) To establish fair economic and social structures, which consolidate an authentic democratic system or to ensure the rights of the people to employment, education, health care and cultural opportunities.

II. To empower the technical group advisory group to the joint meetings of the Central American foreign ministers and of the Contadora group—with the necessary means to follow up the activities set forth by this document on security, political, social and economic issues. The technical group will report to the ministerial meeting on the progress made in the implementation of these measures.

III. To create, within the Contadora group framework, three working commissions in charge of the preparation of studies, legal projects and recommendations about topics related to security, political, economic and social issues. These commissions will also prepare proposals for the verification and control of the observance of the measures adopted. These working commissions will be guided by the following norms:

(A) They will be formed by representatives of the Central American governments. Each country will be able to appoint up to two advisers per commission.

(B) The Contadora group will convene then and will participate in the working sessions of the commissions in order to continue providing its active cooperation in the analysis of the subjects to be studied and in the formulation of agreements.

(C) Foreign advice, whether from private individuals or from representaitves of international organizations, must be previously accepted by consensus.

(D) The working commissions will be set up at the latest by January 31, 1984; the participating governments will appoint their representatives and advisers and will notify the ministry of foreign affairs of the Republic of Panama.

(E) Each commission will prepare and submit their corresponding calendars and working schedules before February 29, 1984.

(F) The working commissions will carry out their functions within the guidelines of the "Document of Objectives" and their tasks will be coordinated by the technical group; they will submit their studies, legal projects and recommendations to the joint meeting of ministers for foreign affairs no later than April 30, 1984.

Panama, January 8, 1984.

CONTADORA ACT FOR PEACE AND COOPERATION IN CENTRAL AMERICA

Preamble

The Governments of the Republics of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua:

1. Aware of the urgent need to strengthen peace, cooperation, trust, democracy, and economic and social development among the peoples of the region through the observane of principles and measures that will permit greater understanding between the Central American governments;

2. Concerned by the situation in Central America which is characterized by a serious erosion of political trust, the profound economic and social crisis, the grave situation of refugees and displaced persons, border incidents, the arms race, arms trafficking, the presence of foreign military advisers, the conduct of international military maneuvers in the territory of the States of the region, and the existence of military bases, schools, and installations, and other forms of foreign military presence, as well as the use by irregular forces of the territory of certain States for activities aimed at destabilizing other States of the region;

Convinced:

3. That tensions and present conflicts could worsen and lead to a generalized large-scale war;

4. That the goal of restoring peace and confidence in the area can be achieved only through unconditional respect for the principles of international law, especially with regard to the right of peoples to choose, freely and without outside interference, the model of political, economic, and social organization best suited to their interests, through institutions that represent the freely expressed will of the people;

5. That it is important to create, develop, and strengthen representative participatory and pluralistic democratic systems in all countries of the region;

6. That there is a need to create political conditions aimed at guaranteeing the security, integrity, and sovereignty of the States of the region;

7. That genuine regional security can be achieved through the adoption of agreements on security and disarmament;

8. That the national security interests of the States in the region must be taken into account in the adoption of measures for halting the arms race with a view to establishing a reasonable balance of forces;

9. That it is highly advisable for the establishment of a reasonable balance of forces, that maximum limits on military development be determined and that there be a consequent reduction in and control of the numbers of weapons, men under arms, and military installations in accordance with the need for stability and security in the area;

10. That military superiority as an objective of the States of the region, the presence of foreign military advisers, the conduct of international military maneuvers in the territory of the States of the region, and the existence of military bases, schools, installations, and other forms of foreign military presence, the presence of irregular forces, and the trafficking of arms endanger regional security and constitute factors of destabilization in the area;

11. That agreements on regional security must be subject to an effective system of verification and control;

12. That destabilization of the governments in the area—as expressed by the encouragement or support of activities of irregular groups or forces, acts of terrorism, subversion, or sabotage, or the use of the territory of one State for activities that affect the security of another State—violates the basic rules of international law and of peaceful coexistence between States;

13. That the creation of instruments that permit implementation of a policy of detente must be based on the existence of trust between States that will effectively reduce political and military tensions between them;

14. Recalling the provisions of the United Nations on the definition of aggression and other acts prohibited by international law, particularly in United Nations General Assembly Resolutions Nos. 3314 (XXIX), 2625 (XXV), and 2131 (XX), and as contained in the pertinent resolutions of the Organization of American States;

15. Taking into account the declaration on strengthening international security, adopted as Resolution No. 2734 (XXV) by the United Nations General Assembly, as well as the corresponding legal instruments of the Inter-American system;

16. Reaffirming the need to promote, in those cases where the society has been deeply divided, actions leading to national reconciliation that will allow the people to participate, under the law, in authentic democratic political processes;

Whereas:

17. Beginning with the United Nations Charter of 1945 and the Universal Declaration of Human Rights of 1948, various international organizations and conferences have drafted and adopted declarations, pacts, protocols, conventions, and rules to effectively protect human rights in general and certain of those rights specifically;

18. Not all the Central American countries have accepted all the existing human rights instruments, and it would be desirable for them to do so in order to have a comprehensive regime that would permit respect for and the guarantee of human, political, civil, economic, social, religious, and cultural rights;

19. In many cases, inadequate domestic laws may impair the effective observance of human rights as defined in declarations and other international instruments;

20. Each State must concern itself with modernizing its laws so that they will be capable of guaranteeing the effective enjoyment of human rights;

21. One of the most effective means of establishing the observance of the human rights enshrined in international instruments and in the constitutions and laws of individual States is for the judicial power to have the authority and the autonomy it needs to put an end to violations of those rights;

22. To that end, the absolute independence of the judiciary must be guaranteed;

23. Such guarantee will be obtained only if the judiciary enjoys stability with respect to its responsibilities and autonomy with respect to its budget so that its independence from other branches of government is absolute and undisputed;

Convinced, furthermore:

24. Of the need to perfect just economic and social structures that will consolidate a genuine democratic system and allow their peoples full access to the right to work, education, health, and culture;

25. Of the high degree of interdependence among the countries of Central America and of the potential offered by the process of economic integration;

26. That the magnitude of the economic and social crisis affecting the region has demonstrated the need for changes in the economic and social structures that will reduce the dependency and foster the self-sufficiency of the Central American countries, enabling them to reaffirm their own identity;

27. Of the necessity of cooperating in the efforts each country is making to hasten its economic and social development by lending active assistance that is compatible with the needs and objectives of development in each country;

28. That the process of economic integration in Central America must constitute an effective instrument of economic and social development based on the principles of justice, solidarity, and mutual advantage;

29. That there is a need to reactivate, improve, and restructure the process of economic integration in Central America with the active and institutional participation of all the States of the region;

30. That Central American institutions and authorities are called upon to assume primary responsibility in modifying current economic and social structures and strengthening the process of regional integration;

31. Of the need and the advisability of engaging in joint economic and social development programs that will contribute to the process of economic integration in Central America as part of the development plans and priorities adopted independently by those countries;

32. That the vital needs for investment for the development and economic recovery of the Central American countries, and their joint efforts to obtain financing for specific, priority

projects, make it essential to expand and strengthen the Central American programs of international regional and subregional financial institutions;

33. That the regional crisis has resulted in massive flows of refugees and displaced persons, a situation that merits urgent consideration;

34. Concerned by the constant deterioration of social conditions and of the situation with respect to employment, education, health, and housing in the countries of Central America;

35. Reaffirming their desire to resolve their conflicts within the framework of this Act, without prejudice to the right to appeal to other competent international forums;

36. Recalling the support granted to the Contadora Group through Resolutions 530 and 562 of the United Nations Security Council, Resolutions 38/10 and 39/4 of the United Nations General Assembly, and Resolutions AG/RES 675 (XIII-0/83) and AG/RES (XIV-84) of the General Assembly of the Organization of American States;

37. Prepared to implement fully the Document of Objectives and the Rules for the Execution of the Commitments assumed in that document, adopted by their Ministers of Foreign Affairs at Panama City of September 9, 1983, and January 8, 1984, respectively, under the auspices of the Governments of Colombia, Mexico, Panama, and Venezuela, which comprise the Contadora Group;

Have agreed as follows:

THE CONTADORA ACT FOR PEACE AND COOPERATION IN CENTRAL AMERICA

Part I—Commitments

CHAPTER I—GENERAL AND COMMITMENTS

Sole Section. Principles

The Parties undertake, in accordance with the obligations they have assumed under international law, to:

1. Respect the following principles:

(a) Renunciation of the threat or use of force against the territorial integrity or political independence of States;

(b) Peaceful settlement of disputes;

(c) Non-interference in the internal affairs of other States;

(d) Cooperation of States in resolving international problems;

(e) The legal equality of States, respect for sovereignty, self-determination of peoples, and the fostering of respect for human rights;

(f) The right to engage freely in international trade;

(g) Abstention from discriminatory practices in economic relations between the States, respecting their systems of political, economic, and social organization.

(h) Fulfillment in good faith of the obligation assumed in accordance with international law;

2. In application of these principles they will:

(a) Abstain from any action that is incompatible with the objectives and principles of the United Nations Charter and the Charter of the Organization of American States and is taken against the territorial integrity, political independence or unity of any of the States, and particularly any such action that constitutes a threat or use of force.

(b) Solve their disputes by peaceful means, by observing the basic principles of international law contained in the United Nations Charter and the Charter of the Organization of American States.

(c) Respect the rules enshrined in treaties and other international accords as regards diplomatic and territorial asylum.

(d) Respect the existing international boundaries between States.

(e) Abstain from military occupation of the territory of any of the other States in the region.

(f) Abstain from any type of military, political, economic, or other coercion intended to subordinate to their own interest the exercise by other States of the rights inherent in their sovereignty.

(g) Take the steps necessary to guarantee the inviolability of their borders against irregular groups or forces seeking to destabilize the governments of other States from within their own territories.

(h) Refuse to permit their territories to be used for acts contrary to the sovereign rights of other States, and ensure that the prevailing conditions in their territories do not threaten international peace and security.

(i) Respect the principle that no State or group of States has the right to intervene directly or indirectly, through arms or any other form of interference, in the internal or external affairs of another State.

(j) Respect the peoples' right to self-determination without foreign intervention or coercion, avoiding the threat of force or the direct or covert use of force to weaken the national unity and territorial integrity of any other State.

CHAPTER II—COMMITMENTS RELATING TO POLITICAL MATTERS

Section 1. Commitments relating to a reduction of regional tension and the encouragement of trust

The Parties undertake to:

3. Encourage mutual trust by all means at their disposal and avoid any action likely to threaten peace and security in the Central American area.

4. Abstain from issuing or fostering propaganda in favor of violence or war as well as hostile propaganda against any Central American government, and comply with and disseminate the principles of peaceful coexistence and friendly cooperation.

5. To this end, their respective governmental authorities shall:

(a) Avoid any spoken or written declaration that may aggravate the existing situation of conflict in the area.

(b) Urge the mass media to contribute to understanding and cooperation between the peoples of the region.

(c) Encourage more contact and understanding between their peoples through cooperation in all areas related to education, science, technology, and culture.

(d) Jointly consider future actions and mechanisms that will contribute to the attainment and improvement of a climate of stable and lasting peace.

6. Jointly seek a regional solution that will eliminate the causes of tension in Central America and ensure the inalienable rights of the people in the face of foreign pressures and interests.

Section 2. Commitments relating to National Reconciliation

Each of the parties will reiterate to the other Central American States the commitment it has made to its own people to guarantee the preservation of domestic peace as a contribution to the peace of the region, and to that end resolves to:

7. Take measures to establish and, if appropriate, improve representative pluralistic democratic systems that ensure effective participation by the people, politically organized, in the decision-making process, and ensure that various opinion groups have free access to honest and periodic electoral processes based upon full observance of the rights of citizens.

8. In those cases where deep divisions have occurred within the society, strongly encourage national reconciliation activities that allow fully guaranteed participation by the people in authentic democratic political processes on the basis of justice, freedom, and democracy, and, to this end, create mechanisms that will permit a dialogue with opposition groups, according to the law.

9. Issue and, if appropriate, ratify, expand, and improve laws and regulations offering true amnesty that allows their citizen to become fully reincorporated in political, economic, and social life. In like manner, guarantee the inviolability of life, liberty, and personal security for those granted amnesty.

Section 3. Commitments relating to human rights

The Parties undertake, in accordance with their respective domestic laws and with the obligations they have assumed under international law, to:

10. Guarantee full respect for human rights and, to this end, comply with the obligations contained in the international legal instruments and constitutional provisions on the subject.

11. Initiate their respective constitutional procedures so that they may become parties to the following international instruments:

(a) International Covenant on Economic, Social, and Cultural Rights, 1966.

(b) International Covenant on Civil and Political Rights, 1966.

(c) Optional Protocol to the International Covenant on Civil and Political Rights, 1966.

(d) International Convention on the Elimination of All Forms of Racial Discrimination, 1965.

(e) Convention relating to the Status of Refugees, 1951.

(f) Protocol relating to the Status of Refugees, 1967.

(g) Convention on the Political Rights of Women, 1952. [1953]

(h) Convention on the Elimination of All Forms of Discrimination Against Women, 1979.

(i) 1953 Protocol Amending the Conventon on Slavery of 1926, 1953.

(j) Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery, 1956.

(k) International Covenant on the Civil and Political Rights of Women, 1953.

(1) American Convention on Human Rights, 1969.

(m) International Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment, 1985.

12. Draft and submit the necessary legislation to their competent domestic bodies in order to accelerate the process of modernizing and updating their legislation so that it may more effectively promote and ensure due respect for human rights.

13. Draft and submit to their competent domestic bodies the legislation necessary to:

(a) Guarantee independence and stability for those vested with the judicial power so that they may act without political pressures and themselves guarantee stability for other members of the judiciary.

(b) Guarantee the autonomy and budgetary stability of the judiciary so that its independence from the other branches is absolute and unquestionable.

Section 4. Commitments relating to electoral processes and parliamentary cooperation

Each of the Parties will reiterate to the other Central American States the commitment it has made to its own people to guarantee the preservation of domestic peace as a contribution to the peace of the region, and to that end resolves to:

14. Adopt measures to guarantee, under equal conditions, the participation of the political parties in the electoral processes, ensuring their access to the mass media and their freedom of assembly and speech.

15. They also undertake to:

[(a)] Implement the following measures:

(1) Promulgate or amend electoral laws so that elections may be held that guarantee effective participation by the people.

(2) Establish independent electoral bodies that will prepare a reliable voting list and ensure that the process is impartial and democratic.

(3) Establish or, if appropriate, update rules that guarantee the existence and participation of political parties which are representative of the various opinion groups.

(4) Establish a schedule of elections and take steps to ensure participation by political parties under equal conditions.

[(b)] Propose to their respective legislative bodies that they:

(1) Hold regular meetings in alternating venues in order to exchange experiences, contribute to the reduction of tensions, and encourage greater communication, thus fostering rapprochement among the countries in the area.

(2) Take measures to maintain relations with the Latin American Parliament and its working groups.

(3) Exchange information and experiences in their field, and compile, for purposes of comparative study, the election laws and related provisions in force in each country.

(4) Be present, as observers, at the various stages of the elections held in the region. For this purpose, an express invitation from the State holding the election shall be required.

(5) Hold periodic technical meetings at the location and with the agenda agreed upon by consensus at each preceding meeting.

CHAPTER III—COMMITMENTS RELATING TO SECURITY MATTERS

In accordance with the obligations they have assumed under international law and for purposes of establishing the foundations of an effective and lasting peace, the Parties undertake security commitments regarding the banning of international military maneuvers; the halting of the arms race; the dismantling of bases, schools, and other foreign military installations; the removal of foreign military advisers and other foreign personnel participating in military or security activities; the prohibition of arms trafficking; the elimination of support to irregular forces; the abstention from encouraging or supporting acts of terrorism, subversion, and sabotage; and, finally, the establishment of a regional system of direct communication.

Accordingly, the Parties will take specific actions as follows:

Section 1. Commitments relating to military maneuvers.

16. Comply, when conducting national military maneuvers, with the following provisions, which shall take effect upon signature of this Act:

(a) In the event that national military maneuvers are being conducted in zones less than thirty (30) kilometers from the territory of another State, the required prior notification shall be given to the other States that are Parties and to the Verification and Control Commission that is referred to in Part II of this Act at least thirty (30) days in advance.

(b) The notification shall contain the following information:

(1) Name
(2) Purpose
(3) Participating personnel, units, and forces
(4) Area where maneuvers are planned
(5) Program and schedule
(6) Equipment and weapons to be used

(c) An invitation shall be extended to observers from adjacent States that are parties.

17. Comply, when conducting international military maneuvers in their respective territories, with the following provisions:

1. Reduce, with a view to eliminating, maneuvers involving the participation of armed forces of other States.

2. The performance of international military maneuvers in the respective territories [of the Parties] shall be subject, from the date of signature of this Act and of the banning of such maneuvers, to the following provisions:

(a) Ensure that in no case they are intended to intimidate a Central American State or any other State.

(b) Give notification of such maneuvers to the Parties and to the Verification and Control Commission referred to in Part II of this Act at least ninety (90) days in advance. The notification shall contain the following information:

(1) Name
(2) Purpose
(3) Participating States
(4) Participating personnel, units, and forces
(5) Area where maneuvers are planned
(6) Program and schedule
(7) Equipment and weapons to be used

(c) They [international military maneuvers] shall not be performed within a zone situated less than 50 kilometers from the territory of a State that is not participating in them unless it [sic] has its express consent.

(d) Maneuvers shall not be held more than once a year and shall not last longer than 15 days.

(e) Limit to 3,000 the total number of military personnel that participate in the maneuvers. In no case shall the number of troops from other States exceed the number of nationals participating in the maneuvers.

(f) Invite observers from the States that are parties.

3. If a State that is a Party deems that some violation of the foregoing provisions has occurred, it may appeal to the Verification and Control Commission.

4. Prohibit international military maneuvers once the maximum limits on weapons and troops agreed upon by the Parties have been reached, as provided for in paragraph No. 19 of this Chapter III.

Section 2. Commitments relating to arms and military strength

18. Stop the arms race in all its forms and immediately begin negotiations on the control and reduction of the current arms inventory as well as the number of men under arms.

19. On the basis of the foregoing, the Parties agree to the following stages of implementation:

First stage

(a) The Parties will suspend, from the date of signature of the Act, all procurement of war materiel except replacements munitions and spare parts needed to maintain already existing equipment in operation, and will refrain from increasing their military strength while the maximum limits of military development are being established, during the time period stipulated for the second stage;

(b) The Parties will deliver simultaneously to the Verification and Control Commission their respective current inventories of arms, military installations, and a list of men under arms [sic—list of armed units?], within 15 days of the date of signature of this Act.

The inventories shall be prepared in conformity with the basic criteria that appear in the Annex of this Act with the definitions contained therein.

(c) Within sixty (60) days after signature of this Act, the Verification and Control Commission shall conclude the technical studies and shall suggest to the parties, without prejudice to the negotiations they have agreed to begin, the maximum limits of their military development in accordance with the basic criteria established in paragraph No. 22 of this Section, as well as schedules for their reduction or dismantling.

Second stage

Sixty (60) days after the signature of this Act, the Parties will establish, within the next thirty (30) days [sic], the following:

(a) Maximum limits for the types of arms classified in the annex to this Act, and schedules for their reduction.

(b) Maximum limits for military personnel strengths and military installations that each Party may have, and the schedules for their reduction or dismantling.

(c) If during such time period the Parties do not reach an agreement on the aforementioned maximum limits and schedules, those suggested by the Commission in its technical studies shall prevail temporarily. The Verification and Control Commission shall assist the Parties in pursuing the negotiations in order to reach an agreement.

The maximum limits referred to in paragraphs (a) and (b) above, as well as the schedules, shall be considered an integral part of this Act and shall have the same legally binding force.

20. In order to meet the needs of peace, stability, security, and economic and social development of the countries of the region, no State will seek the hegemony of its armed forces over those of the other States considered on an individual basis [meaning?—over any of the other States?]. To that end, the Parties will consider the following basic criteria in order to reach an agreement on the maximum limits of military development for the Central American States:

(1) Evaluation of the internal and external security requirements of the State
(2) Area
(3) Population
(4) Distribution of economic resources, infrastructure, and population within the national territory
(5) Length and features of land and maritime boundaries.
(6) Ratio of military expenditures to the Gross Domestic Product (GDP)
(7) Ratio of military budget to government expenditures and comparison with other social indicators
(8) Highest level of military technology appropriate for the region

21. Refrain from introducing new weapons systems that may bring about qualitative or quantitative changes in current war materiel inventories.

22. Refrain from introducing, possessing, or utilizing lethal chemical, biological, radiological, and other weapons that may be considered excessively harmful or indiscriminate.

23. Initiate the necessary constitutional procedures to be in a position to sign and ratify or to accede to international treaties and other agreements on disarmament, if they have not already done so.

Section 3. Commitments relating to foreign military bases

24. Eliminate existing foreign military bases, schools, and installations in their territories, as defined in paragraphs No. 11, 12, and 13, of the Annex, within 180 days of the signature of this Act. To that end, the Parties will simultaneously submit to the Verification and Control Commission lists of said foreign military bases, schools, and installations within 15 days of the date of signature of this Act; said lists shall be prepared in accordance with the criteria contained in the numbered paragraphs in the Annex.

25. Refrain from authorizing the establishment of foreign bases, schools, and other installations of a military nature in their territories.

Section 4. Commitments relating to foreign military advisers

26. Within fifteen (15) days after signing this Act, submit to the Verification and Control Commission a list of the foreign military advisers and other foreign personnel participating in military, paramilitary, and security activities in their territories. In preparing this list, the definitions contained in paragraph No. 14 of the Annex shall be taken into account.

27. Within 180 days after signature of this Act and in accordance with the studies and recommendations of the Verification and Control Commission, withdraw foreign military advisers and other foreign personnel capable of participating in military, paramilitary, and security activities.

28. With respect to advisers performing technical duties relating to the installation and maintenance of military equipment, a control list shall be established in conformity with the terms set forth in their contracts or agreements. On the basis of this control list, the Verification and Control Commission shall propose to the Parties reasonable limits on the number of such advisers within the same time period established in paragraph No. 27, above. The agreed limits shall be an integral part of the Act.

Section 5. Commitments relating to arms traffic

29. Eliminate illegal arms traffic, as defined in paragraph No. 15 of the Annex, to persons, organizations, irregular forces, or armed groups attempting to destabilize the governments of the Parties.

30. To that end, establish control mechanisms at airports, landing fields, ports, terminals, and border crossings points; on land, air, sea, and river routes; and at any other points or areas likely to be used for arms traffic.

31. Report to the Verification and Control Commission presumed or known arms-traffic violations, with sufficient evidence to enable the Commission to conduct the necessary investigations and to present such findings and recommendations as it considers appropriate.

Section 6. Commitments relating to the prohibition of support for irregular forces

32. Refrain from lending any political, military, financial, or other support to individuals, groups, irregular forces, or armed groups advocating the overthrown or destabilization of other governments, and prevent by all means at their disposal the use of their territory for making or organizing attacks, acts of sabotage, kidnappings, or criminal acts in the territory of another State.

33. Maintain strict vigilance along their borders to prevent their territory from being used for any armed action against a neighboring State.

34. Deny the use of and dismantle logistical and operational support installations and facilities in their territories used to launch activities against neighboring governments.

35. Disarm and remove from border zones any group or irregular force identified as being responsible for actions against a neighboring State. Once the irregular forces have been disbanded, proceed, with financial and logistical assistance from the international organizations and governments interested in restoring peace in Central America, to relocate the irregulars or return them to their countries in accordance with the terms established by the interested governments.

36. Report to the Vertification and Control Commission presumed or known violations, with sufficient evidence to enable the Commission to conduct the necessary investigations and to present such findings and recommendations as it considers appropriate.

Section 7. Commitments relating to terrorism, subversion, or sabotage

37. Refrain from lending political, military, financial, or other support to subersive, terrorist, or sabotage activities attempting to destabilize or overthrown the governments of the region.

38. Refrain from organizing, encouraging, or participating in acts of terrorism, subversion, or sabotage in another State, and from permitting organized activities within their territories for the purpose of committing such criminal acts.

39. Observe the provisions of the following international treaties and agreements.

(a) The Hague Convention for the Suppression of Unlawful Seizure of Aircraft, 1970.

(b) Convention to Prevent and Punish Acts of Terrorism Taking the Form of Crimes Against Persons and Related Extortion that are of International Significance, 1971.

(c) Convention for Suppression of Unlawful Acts Against the Safety of Civil Aviation.

(d) Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons. Including Diplomatic Agents, 1973

(e) International Convention Against the Taking of Hostages, 1979

40. Initiate constitutional procedures so that, if they have not already done so, they will be able to sign and ratify or accede to the international treaties and agreements referred to in the preceding paragraph.

41. Prevent within their respective territories the planning or perpetration of criminal acts against other States or nationals of other States by terrorist groups or organizations. To that end they will strengthen cooperation among agencies responsible for immigration and law enforcement matters as well as among the appropriate civilian authorities.

42. Report to the Verification and Control Commission presumed to known violations, with sufficient evidence to enable the Commission to conduct the necessary investigations and to present such findings and recommendations as it considers appropriate.

Section 8. Commitments relating to direct communication systems

43. With a view to preventing incidents, establish a regional communications system that ensures timely linkage between the appropriate governmental, civilian, and military authorities and the Verification and Control Commission.

44. Establish mixed security commissions in order to prevent incidents and resolve disputes between neighboring States.

CHAPTER IV—COMMITMENTS ON ECONOMIC AND SOCIAL MATTERS

Section 1. Commitments in the economic and social fields

In order to strengthen the process of Central American economic integration and the institutions comprising and supporting it, the Parties agree to:

45. Reactivate, improve, and restructure the process of Central American economic integration, bringing it into harmony with the various forms of political, economic, and social organization of the countries of the area.

46. Support resolution No. 1/84 of the Thirtieth Meeting of Ministers Responsible for Central American Economic Integration, passed July 27, 1984, and directed towards the institutional reestablishment of the process of Central American integration.

47. Support and encourage the adoption of agreements for strengthening trade within Central America, within the legal framework and in the spirit of integration.

48. Not to adopt or support coercive or discriminatory measures harmful to the economy of any Central American country.

49. Adopt measures for strengthening the financial organizations of the area, incuding the Central American Bank for Economic Integration, supporting its efforts to obtain resources and diversify its operations, and preserving the decision-making power and the interests of all Central American countries.

50. Strengthen the multilateral payment mechanisms within the Central American Common Market Fund, and reactivate those mechanisms that operate through Central American Clearing House. Available international financial assistance may be requested in support of these objectives.

51. Undertake sectoral cooperative projects in the area, such as the electrical energy production and distribution system, the regional food security system, the priority health needs plan for Central America and Panama, and others that would contribute to Central American economic integration.

52. Jointly examine the problem of Central American foreign debt on the basis of an evaluation that takes into account the internal situation to each country, its ability to pay, the critical economic situation in the area, and the flow of additional resources needed to further its economic and social development.

53. Support the process of formulating and subsequently implementing a new Central American tariff and customs regime.

54. Adopt joint measures to protect and promote their exports, integrating the processing, marketing, and transportation of their products insofar as possible.

55. Adopt the necessary measures to accord juridical personality to the Central American Monetary Council.

56. Support efforts of CADESCA, in coordination with subregional bodies, to obtain from the international community the additional financial resources necessary for Central America's economic reactivation.

57. With the cooperation of the ILO, to apply international labor standards and conform their domestic legislation thereto, particularly in those areas which contribute to the reconstruction of Central American societies and economies. Likewise, with ILO's cooperation, conduct programs for the creation of jobs, training of workers, and use of appropriate technologies designed for better utilization of the labor force and natural resources of each country.

58. Request the Pan American Health Organization and UNICEF, as well as other development agencies and the international financial community, to support the financing of the Priority Health Needs Plan for Central America and Panama approved by the Ministers of Health of the Central American Isthmus, meeting in San Jose on March 16, 1984.

Section 2. Commitments on refugee matters

The Parties agree to take the necessary steps to:

59. If they have not already done so, follow the constitutional procedures for acceding to the 1951 Convention on the Status of Refugees and the 1967 Protocol on the Status of Refugees.

60. Adopt the terminology established in the Convention and Protocol referred to in the preceding paragraph in order to differentiate between refugees and other categories of immigrants.

61. Establish the necessary internal mechanisms for implementing the provisions of the Convention and Protocol referred to in paragraph 57, when accession takes place.

62. Establish consultative machinery between Central American countries and representatives of the government offices in charge of the refugee problem in each State.

63. Support the work of the Office of the United Nations High Commissioner for Refugees (UNHCR) in Central America, and establish direct means of coordination in order to facilitate its efforts to carry out its mandate.

64. [Ensure] That any repatriation of refugees be voluntary, based on expressed individual wishes, and undertaken with the cooperation of the UNHCR.

65. [Ensure] That tripartite commissions composed of representatives of the sending State, the receiving State, and the UNHCR be set up in order to facilitate repatriation of refugees.

66. Strengthen programs of assistance and protection for refugees, especially in the fields of health, education, employment, and security.

67. Establish programs and projects with a view to permitting the refugees to achieve self-sufficiency.

68. With the collaboration of the UNHCR or other international agencies, train the officials in each state responsible for providing protection and assistance to refugees.

69. Ask the international community to provide immediate assistance to Central American refugees, both directly, through bilateral or multilateral agreements, and through the UNHCR and other organizations and agencies.

70. With the assistance of the UNHCR, identify other possible host countries for Central American refugees. In no case shall a refugee be transferred to a third country against his will.

71. [Ensure] That the governments of the area make the necessary efforts to eradicate the causes of the refugee problem.

72. [Ensure] That once the bases for voluntary and individual repatriation have been agreed upon, with full guarantees for the refugees, the receiving countries allow official delegations from the countries of origin, accompanied by representatives of the UNHCR and the receiving country, to visit the refugee camps.

73. [Ensure] That receiving countries, in coordination with the UNHCR, facilitate the procedures for the departure of refugees in cases of voluntary and individual repatriation.

74. Establish control measures in the receiving countries in order to prevent refugees from participating in activities against the country of origin, always with due respect for the human rights of refugees.

75. Consider as displaced persons those who have been forced to abandon their habitual residence, their assets, and their livelihood as a result of the prevailing conflicts, and have moved to another location in their own country in search of personal protection and security and of assistance in meeting their basic needs.

76. At the request of the Party concerned, take coordinated action with the international community in order to obtain the necessary cooperation for the programs for displaced persons that each Central American country develop.

Part II—Commitments Relating to Implementation and Follow-up

1. The Ministers of Foreign Relations of the Central American States shall receive the advice, reports, and recommendations submitted by the mechanisms of implementation provided for in Part II, and shall unanimously adopt the corresponding decisions to ensure complete fulfillment of the commitments contained in the Act. Any disputes shall be dealt with according to the procedures provided for in this Act.

2. The Parties will establish the following mechanisms for the implementation of the commitments contained in this Act:

A. Comité ad hoc para la Evaluación y el Seguimiento de los Compromisos en Materia Política y de Refugiados [Ad Hoc Committee for the Evaluation and Follow-up of Commitments in Political and Refugee Matters];

B. Comisión de Verificación y Control en Materia de Seguridad [Commission for Verification and Control in Security Matters];

C. Comité ad hoc para la Evaluación y el Seguimiento de los Compromisos en Materia Económica y Social [Ad Hoc Committee for the Evaluation and Follow-up of Commitments in Economic and Social Matters].

3. The mechanisms established in the Act shall have the following membership, structure, and functions:

A. Comité ad hoc para la Evaluación y el Seguimiento de los Compromisos en Materia Política y de Refugiados [Ad Hoc Committee for the Evaluation and Follow-up of Commitments in Political and Refugee Matters].

(a) Membership

The Committee shall be composed of five (5) prominent persons of recognized competence and impartiality nominated by the Contadora Group and approved by mutual agreement of the Parties. The members of the Committee shall be nationals of States other than the Parties.

(b) Duties

The Committee shall evaluate the reports that the Parties undertake to furnish concerning the manner in which they have proceeded to implement their commitments in the area of national reconciliation, human rights, and the electoral and refugee processes.

Moreover, the Committee shall receive the communications on these topics sent to it for information by organizations or individuals who can provide it with data useful on its work.

The Committee shall gather the information it deems relevant; for this purpose the Party referred to in the communication shall permit Committee members to enter its territory and shall grant them the proper facilities.

The Committee shall periodically prepare a report on the implementation of the commitments, which may include conclusions and recommendations.

The Committee shall send its reports to the Parties and to the governments of the Contadora Group.

Upon conclusion of the time period indicated by the regulations for the Committee to receive the observations of the Parties, final reports shall be prepared and made public unless the Committee decides otherwise.

(c) Bylaws

The Committee shall draw up its own bylaws and inform the Parties of them.

B. *Comisión de Verificación y Control en Materia de Seguridad* [Commission for Verification and Control in Security Matters].

(a) Membership

The Commission shall be composed of:

Four Commissioners, representatives of four States of recognized impartiality and with a genuine interest in contributing to the resoluton of the Central American crisis, nominated by the Contadora Group and approved by the Parties;

A Latin American Executive Secretary nominated by the Contadora Group and approved by the Parties by consensus, who shall ensure the daily operation of the commission.

(b) Operation

For the performance of its duties the Commission shall have an International Inspectorate provided by the States members of the Commission and coordinated by a Director of Operations.

The duties of the International Inspectorate shall be established in the bylaws of the Commission.

To assist it in the performance of its duties, the Commission shall have a group of consultants composed of a representative of each Central American State.

The Commission may invite a representative of the United Nations Secretary General and another representative of the Secretary General of the Organization of American States to participate in its meetings as observers.

The Commission may establish auxiliary bodies and receive assistance from existing joint commissions.

(c) Duties of the Commission

The Commission shall have the duty of ensuring fulfillment of the commitments undertaken in security matters. To this end it shall:

Verify fulfillment of the commitments concerning military maneuvers contained in this Act;

Verify that no war materiel is acquired and that military strenght is not increased, as established in Chapter III(19)(a) of this Act.

Verify that the Parties are fully observing the maximum limits previously established for the various categories of arms, military installations, and men under arms, and that they are complying with the reduction timetables agreed upon.

Verify that all acquisitions of weapons, spare parts, and replacement equipment are made in compliance with the inventories and registries previously established and with the agreed limits.

Verify that no new arms are introduced that qualitatively or quantitatively change the current inventories and that no weapons banned by this Act are introduced or utilized.

Establish a register of all commercial arms transactions by the Parties, including donations and other transfers made within the framework of military assistance agreements with other governments.

Receive the list of foreign military bases, schools, and installations and verify their dismantling as established in this Act.

Receive the count of foreign military advisers and verify their withdrawal according to the agreed timetable.

Verify compliance with this Act concerning trafficking in arms and examine any reports of violations. To this end the following criteria may be considered:

(1) Origin of the trafficking in arms: the port or airport of embarkation of the arms, munitions, equipment, and other categories of military supplies intended for the Central American region.

(2) Personnel involved: persons, groups, or organizations that have participated in the coordination and the commission of trafficking in arms, including participation by governments or their represenatives.

(3) Type of arms, munitions, equipment, and other categories of military supplies: type of arms and caliber, country of manufacture, country of origin, and the number of each type of arms, munitions, equipment, and other categories of military supplies.

(4) Means of transportation outside the region: land, sea, or air, including nationality.

(5) Extraregional transportation routes: traffic routes used, including ports of call or intermediate destination.

(6) Storage places of arms, munitions, equipment, and other types of military supplies.

(7) Intraregional traffic areas and routes: description of areas and routes, participation of governmental or other sectors in arms trafficking, frequency of use of these areas and routes.

(8) Intraregional means of transportation: determination of means of transportation used, owners of such means, the facilities provided by the government or governmental or other sectors, or other means of delivery.

(9) Receiving unit or destination: determination of the persons, groups, and organizations who are the intended recipients of the arms traffic.

Verify compliance with this Act concerning irregular forces and nonuse of their own territories for destablizing activities against any other State and examine any reports of violations. To do so it shall consider the following criteria:

(1) Installations, means, bases, camps, or facilities for logistical and operational support

of irregular forces, including command, radio communications, and radio broadcasting centers.

(2) Determination of propaganda activities or political, physical, economic, or military support for activities directed against any State in the region.

(3) Identification of persons, groups, and governmental sectors involved in such activities.

Verify fulfillment of the commitments concerning terrorism, subversion, and sabotage established in this Act.

(d) Rules and Procedures

The Commission shall receive any duly substantiated report on violations of the security commitments undertaken in this Act, shall inform the Parties involved, and shall initiate the appropriate investigation.

In like manner, it shall be empowered to conduct any investigation it deems relevant on its own initiative.

The Commission shall conduct its investigations by means of on-site inspection, compiling evidence, and any other procedure it deems necessary to the performance of its functions.

In cases of reports of violation of or noncompliance with the commitments of this Act in security matters, the Commission shall prepare a report containing recommendations to the Parties concerned.

The Commission will receive from the Parties their prompt and full cooperation and assistance in the proper performance of its functions. In like manner, it shall ensure the confidentiality of any information collected or received in the course of the investigation.

The Commission shall send its reports and recommendations confidentially to the Parties and to the governments of the Contadora Group. They may be made public when the Commission considers that it would contribute to the complete fulfillment of the commitments contained in the Act.

(d) Bylaws

Once established, the Commission shall establish its own bylaws in consultation with the Parties.

(e) Term of office of the Commissioners

Representatives of the member States of the Commission shall serve for an initial term of two years, which may be extended by mutual agreement between the Parties and the member States.

(f) Installation

The Commission shall be installed upon signature of the Act.

C. Comite ad hoc para la Evaluacion y el Seguimiento de los Compromisos en Materia Economica y Social [Ad Hoc Committee for the Evaluation and Follow-up of Commitments in Economic and Social Affairs]

(a) Membership

For the purposes of this Act, the meeting of Ministers of Economy of Central America shall constitute the Ad Hoc Committee for the Evaluation and Follow-up of Commitments in Economic and Social Affairs.

(b) Functions

The Committee shall receive reports by the Parties concerning their progress in complying with the economic and social commitments.

The Committee shall conduct periodic evaluation of progress in complying with economic and social commitments, relying on the information furnished by the Parties and the competent international and regional organizations.

The Committee shall present proposals in its periodic reports to srengthen regional cooperation and promote development plans, with particular emphasis on the aspects indicated in the commitments of this Act.

4. Financing the Implementation and Follow-Up Mechanisms:

(a) The implementation and follow-up mechanisms referred to in Part II of this Act shall be financed by a Fund for Peace in Central America.

(b) The resources for these funds shall be derived from equal contributions by the Parties and by additional contributions obtained from other States, international organizations, or other sources, which may be managed by the Central American States with cooperation from the Contadora Group.

Part III—Final Provisions

1. The commitments undertaken by the Parties in this Act and its Annex(es) are legal in nature and therefore binding.

2. This Act shall be ratified in conformity with the constitutional procedures established in each of the Central American States. Each signatory State will deposit its instrument of ratification with the Secretary General of the United Nations and with the Secretary General of the Organization of American States.

3. This Act shall enter into force eight days after the fifth instrument of ratification has been deposited.

4. After the date of signature, the Parties will abstain from acts which frustrate the object and purpose of this Act and will seek in good faith to take pertinent individual or joint actions to guarantee

the immediate application of the commitments which require such actions in order to preserve and attain said object and purpose.

5. When this Act has been signed, the merchanisms referred to in Part II hereof shall operate provisionally. The Parties will take such measures as may be necessary to guarantee such provisional operation.

6. Any dispute regarding the interpretation or application of this Act that cannot be resolved through the mechanisms provided in Part II shall be submitted to the Ministers of Foreign Relations of the Parties for their consideration and decision, by unanimity.

7. In the event that the dispute persists and upon request by any of the Parties, the Ministers of Foreign Relations of the States composing the Contadora Group shall use their good offices so that the Parties concerned may resolve that dispute. If that recourse fails, they may suggest another peaceful means of resolving the dispute in conformity with Article 33 of the United Nations Charter and Article 24 of the Charter of the Organization of American States.

If 30 days elapse without an agreement by the Parties concerning the implementation of the procedure suggested, any of them may make public the decisions, reports, or recommendations regarding the dispute made by the mechanisms for execution and follow-up provided for in Part II hereof.

8. There shall be no reservations to this Act.

9. The Annex(es) and Additional Protocols I through IV are an integral part of this Act.

10. Five years after the entry into force of this Act, the States party to it and the Contadora Group shall meet in order to evaluate it and take any measures they deem appropriate.

11. This Act shall be registered by the Parties with the Secretary General of the United Nations in accordance with Article 102 of the United Nations Charter.

ANNEX

The Parties have agreed on the following definitions of military terms:

1. Register: Numerical or graphic information on military, paramilitary, and security personnel strength and military installations.

2. Inventory: Detailed report of foreign- or nationally-owned weapons and military equipment with the maximum specifications possible.

3. Count: Number of foreign military or civilian personnel acting as advisers in defense and/or security matters.

4. Military installation: Establishment or infrastructure including airports, barracks, strongholds, camps, air, naval, or similar installations under military jurisdiction, including their geographical location.

5. Table of Organization and Equipment (TOE): Document containing the mission, organization, equipment capabilities and limitations of a standard military unit at its different levels.

6. Military equipment: Nationally- or foreign-owned material, as used individual articles or in combination by a military force for its elite and operation, excluding weapons.

7. Classification of weapons:

(a) By type:
  1. Conventional
  2. Chemical
  3. Biological
  4. Radiological

(b) By range:
  1. Short: Individual and group-portable weapons.
  2. Medium: Non-portable support weapons (mortars, bazookas, and cannons).
  3. Long: Rockets and guided missiles, which in turn may be divided into:
    a. Short-range rockets: their maximum range is less than 20 kilometers.
    b. Long-range rockets: their maximum range is 20 kilometers or more.
    c. Short-range guided missiles: their maximum range is up to 100 kilometers.
    d. Medium-range guided missiles: their range is between 100 kilometers and 500 kilometers.
    e. Long-range guided missiles: their range is 500 kilometers and more.

(c) By caliber and weight:
  1. Light: 120 mm or less.
  2. Medium: More than 120 mm and less than 160 mm.
  3. Heavy: More than 160 mm and less than 210 mm.
  4. Very heavy: More than 210 mm.

(d) By trajectory:
  1. Flat trajectory weapons.
  2. Curved trajectory weapons.
    a. Mortars
    b. Bazookas

c. Cannons
d. Rockets

(e) By means of transport:

1. Foot
2. Horse-drawn
3. Towed
4. Self-propelled
5. All weapons can be transported by road, train, ship, or air.
6. The weapons transported by air may be classified as follows:
    a. Carried by helicopter
    b. Carried by aircraft

8. Features to be considered in the various types of aircraft and helicopters:

a. Model
b. Quantity
c. Crew
d. Manufacturer
e. Speed
f. Capability
g. Propulsion system
h. Armed with artillery or not
i. Type of weapons
j. Operating range
k. Navigation system
l. Communication system
m. Type of mission

9. Features to be considered in the various vessels:

a. Type of vessel
b. Shipyard and year of manufacture
c. Tonnage
d. Displacement
e. Draft
f. Length
g. Propulsion system
h. Type of weapons and firing system
i. Crew

10. Services: Logistical and administrative bodies of general support to the military, paramilitary, and security forces.

11. Military education centers: Installations for training military personnel in their various ranks and areas of specialization.

12. Military base: Land, marine, and air space that includes military installations, personnel, and military equipment under a military command. The definition of foreign military base should take the following factors into account:

Its administration and control
Sources of financing
Percentages of local and foreign personnel
Bilateral agreements
Its location and geographical area
Transfer of part of territory to another State
Number of personnel.

13. Foreign military installations: Installations that were built to be used by foreign units for maneuvers, training, or other military objectives, according to bilateral agreements. These installations may be temporary or permanent.

14. Foreign military advisers: Military and security advisers means foreign military or civilian personnel who are performing technical, training, or advisory functions in the following areas of operation: tactics, logistics, strategy, organization, and security in the army, navy, air force, or security forces in the Central American States under agreements established with one or several governments.

15. Arms traffic: Arms traffic means any type of transfer by governments, individuals, or regional or extraregional groups of weapons intended for groups, irregular forces, or armed bands seeking to destabilize governments of the region. It also includes the passage of such traffic through the territory of a third State, with or without its consent, to the aforementioned groups in another State.

16. National military maneuvers: These are exercises or simulations of combat or warfare that troops conduct in peacetime for training. The armed forces of the country participate in their own territory, and the exercises may include army, navy, and air force units, in order to increase their operational ability.

17. International military maneuvers: All those operations conducted by the armed forces of two or more countries in one of their territories or in an international zone, including army, navy, and air force units, in order to increase their operational ability and develop measures of joint coordination.

18. The inventories prepared in each State, separately for each of their armed forces, covering personnel, weapons and ammunition, equipment, and installations of the forces shown below, according to their own organizational structures:

(a) Security forces:
  1. Border guards
  2. Urban and rural guards
  3. Military forces assigned to other ministries
  4. Public security force
  5. Training center
  6. Other.

(b) Naval forces:
  1. Location
  2. Type of base
  3. Number and characteristics of the fleet. Type of weapons
  4. Defense system. Type of weapons.
  5. Communications systems
  6. War materiel services
  7. Air or ground transportation services
  8. Health services
  9. Maintenance services
  10. Supply services
  11. Recruitment and length of service
  12. Training center
  13. Other.

(c) Air Force

1. Location
2. Runway capability
3. Number and characteristics of the air fleet. Type of weapons.
4. Defense system: Type of weapons.
5. Communication system
6. War materiel services
7. Health services
8. Ground transportation services
9. Training centers
10. Maintenance centers
11. Supply services
12. Recruitment and length of service
13. Other.

(d) Army

1. Infantry
2. Motorized infantry
3. Airborne infantry
4. Cavalry
5. Artillery
6. Armored
7. Signal Corps
8. Engineers
9. Special troops
10. Reconnaissance troops
11. Health services
12. Transportation services
13. War materiel services
14. Maintenance services
15. Supply services
16. Military police
17. Training center
18. This document should include precise information about the induction system, recruitment, and length of service.
19. Other.

(e) Paramilitary forces

(f) Request for information concerning airports:

Existing airfields:

1. Detailed location and classification
2. Location of installations
3. Dimensions of runways and taxiways and maintenance stands.
4. Resources: Buildings, maintenance installations, fuel supply, aids to navigation, communication systems.

(g) Request for information concerning terminals and ports:

1. Location and general features
2. Entrance and access channels
3. Breakwaters
4. Terminal capacity.

(h) Personnel: From the viewpoint of personnel, the number of personnel on active duty, in the reserve, in the security forces and paramilitary organizations is required; in like manner, the information on advisers should include their number, immigration status, area of specialization, nationality and length of stay in the country, and agreements or contacts as the case may be.

(i) With respect to weapons, all kinds of ammunition should be included, explosives, ammunition for portable weapons, artillery, bombs and torpedos, rockets, hand and rifle grenades, depth charges, land and naval mines, detonators, grenades for mortars and bazookas, etc, should be included.

(j) In national and foreign military installations, include hospitals and military first aid stations, naval bases, airports, and landing strips.

ANNEX I—ADDITIONAL PROTOCOL I TO THE CONTADORA ACT FOR PEACE AND COOPERATION IN CENTRAL AMERICA

The governments of Colombia, Mexico, Panama, and Venezuela, desirous of continuing to help achieve the goals of peace and cooperation in Central America contained in the Contadora Act for Peace and Cooperation in Central America,

Have agreed as follows:

1. To cooprate with the Central American States in achieving the purpose and objective of the Act.
2. To lend full support to the establishment and operation of the implementation and follow-up mechanisms provided for in the Act.
3. To contribute to the peaceful settlement of disputes that may arise in the application and interpretation of the Act, in accordance with the provisions of Part III thereof.
4. No reservations may be made to this protocol.
5. This Protocol shall enter into force for each signatory State on the date of deposit of its respective instrument of ratification, which must be deposited simultaneously with the Secretariat of the United Nations and the General Secretariat of the Organization of American States.
6. This Protocol shall be registered with the Secretariat of the United Nations in accordance with Article 102 of the United Nations Charter.

In witness whereof, the undersigned plenipotentiaries, duly authorized by their respective Govenments, have signed this Protocol in the city of on , 1985.

For the Government of the Republic of Colombia:
For the Government of the Republic of Panama:
For the Government of the United Mexican States:
For the Government of the Republic of Venezuela:

ANNEX II—ADDITIONAL PROTOCOL II TO THE CONTADORA ACT FOR PEACE AND COOPERATION IN CENTRAL AMERICA

The undersigned plenipotentiaries, representatives of States of the Americas, provided with full powers by their respective governments,

Convinced of the need to have the effective cooperation of the States of the Americas in order to ensure the force, effectiveness, and viability of the Contadora Act for Peace and Cooperation in Central America,

Have agreed as follows:

1. To refrain from acts that frustrate the purpose and objective of the Act.
2. To cooperate with the Central American States in achieving the purpose and objective of the Act.
3. To lend their full support to the performance of the functions of the implementation and follow-up mechanisms provided for in the Act when such support is required by the parties.
4. No reservations may be made to this protocol.
5. This Protocol shall be open for signature by all States of the Americas.
6. This Protocol shall enter into force for each signatory State on the date of deposit of its respective instrument of ratification with the Secretariat of the United Nations or the General Secretariat of the Organization of American States.
7. This Protocol shall be registered with the Secretariat of the United Nations in accordance with Article 102 of the United Nations Charter.

This protocol, and its Spanish, English, French, and Portuguese texts are equally authentic [sic], shall be opened for signature in the city of on , 1985, and, after that date, at the United Nations Secretariat.

For the Government of :
For the Government of :
For the Government of :

ANNEX III—ADDITIONAL PROTOCOL III TO THE CONTADORA ACT FOR PEACE AND COOPERATION IN CENTRAL AMERICA

The undersigned plenipotentiaries of their respective governments, provided with full powers,

Convinced of the need to have the effective cooperation of the international community in order to ensure the force, effectiveness, and viability of the Contadora Act for Peace and Cooperation in Central America,

Have agreed as follows:

1. To respect the commitments undertaken by the Central American Governments.
2. To refrain from any acts that frustrate the purpose and objective of the Act.
3. To cooperate, insofar as possible, with the Central American States for the economic and social development of the region.
4. No reservations may be made to this protocol.
5. This Protocol shall be open for signature by all States wishing to contribute to peace and cooperation in Central America.
6. This Protocol shall enter into force for each signatory State on the date of deposit of its respective instrument of ratification with the Secretariat of the United Nations.

7. This Protocol shall be registered with the Secretariat of the United Nations in accordance with Article 102 of the United Nations Charter.

This protocol, whose texts in the official languages of the United Nations are equally authentic, shall be open for signature at the United Nations Secretariat in the city of New York.

For the Government of :
For the Government of :
For the Government of :

ANNEX IV—ADDITIONAL PROTOCOL IV TO THE CONTADORA ACT FOR PEACE AND COOPERATION IN CENTRAL AMERICA

The undersigned plenipotentiaries, provided with full powers of their respective governments:

Convinced that it is necessary to contribute to guaranteeing the fulfillment of the commitment undertaken in the Contadora Act for Peace and Cooperation in Central America,

Have agreed:

1. To accept the invitation to participate and cooperate in the establishment and the operation of the implementation and follow-up mechanisms provided for in the Act, in the terms agreed to with the Parties in agreements which should be annexed to this Protocol.
2. To act with complete impartiality in the fulfillment of the functions of implementation and follow-up in which they participate.
3. This Protocol will be open to signature by the States proposed by the Group of Contadora and agreed upon by the Parties by common agreement.
4. This Protocol shall enter into force for each signatory State on the date of deposit of its respective instrument of ratification with the United Nations Secretariat.
5. No reservations may be made to this protocol.
6. This Protocol shall be registered with the United Nations secretariat in accordance with Article 102 of the United Nations Charter.

This protocol, whose texts in the official languages of the United Nations are equally authentic, shall be open for signature at the United Nations Secretariat in the city of New York.

For the Government of :
For the Government of :
For the Government of :

THE CARABALLEDA MESSAGE TOWARD CENTRAL AMERICA'S PEACE, SECURITY, AND DEMOCRACY

The Ministers of Foreign Relations of the Contadora Group and the Group of Support to Contadora, who met in Caraballeda on January 11 and 12, 1986, express hereby that owing to the growing threats to peace in Central America and because of the possible risk of cessation of diplomatic action which would exacerbate tensions in the region, it has become urgent and necessary to encourage with renewed vigor the negotiation process fostered by the Contadora Group. This negotiation process must result in the prompt signing of Contadora's Act for Peace and Cooperation, considered as the only means of having an instrument of general political understanding which would allow the respectful, peaceful, and productive coexistence of all countries in the region. The Ministers have confirmed that, after 36 months of negotiations, there are still attitudes and situations making difficult a general and comprehensive agreement necessary to overcome the climate of hostility, and put a stop to the arms race, foreign intervention, and policies of violence. Consequently, and in order to recover the necessary climate of trust to ensure the respect of the political will of the parties in the signing of Contadora's Act for Peace and Cooperation in Central America, the Ministers are planning to:

(a) Define the permanent bases for peace in Central America.

(b) Specify the necessary actions to ensure the observance of these bases.

(c) To immediately carry out the diplomatic actions required to obtain the explicit acceptance of the bases and actions by all parties, whether involved directly or indirectly.

(d) to offer its mediation in any other actions to be undertaken.

(e) to carry out relevant tasks in expediting the signing and putting into effect of Contadora's Act for Peace and Cooperation in Central America.

1. Permanent bases for peace in Central America

Any permanent solution to the Central American conflict must have fair and balanced bases, which will express traditional values and the desire of the Latin American peoples for civilized coexistence. It is for this reason that the Ministers of the Contadora Group and of the Group of Support have determined the following permanent bases for Peace in Central America:

1. A Latin American solution.—Meaning that the solution to the Latin American problems must come from, and receive the support of, the region itself, so that it will not be included in the East-West world strategic conflict.

2. Self determination.—Meaning the independence of each of the Latin American countries to determine its own form of social and political organization, establishing at a domestic level the type of government which is freely chosen by the entire population.

3. Non-intervention in the internal affairs of other States.—Which means that no country will be able to influence, directly or by acting indirectly through a third party, the political situation of the Latin American states, or in any way affect their sovereignty.

4. Territorial integrity.—Meaning the recognition of ranges of action for each of the countries, within which each country can exercise its sovereignty and outside which the country must observe a strict compliance with the norms of international law.

5. Pluralistic democracy.—Meaning the right to universal suffrage by free and periodical elections, supervised by independent national organizations: a multiparty system that will allow the legal and organized representation of all kinds of political action and thought. A government of the majority, ensuring the basic liberties and rights of all citizens and the respect of all political minorities according to the society's constitutional order.

6. Non-presence of weapons or military bases which present a threat to peace and security.

7. No-undertaking of military actions by the countries in the region or with ties in the region, which may present a threat for the region and its peace.

8. Non-presence of foreign troops or advisers

9. No political, logistic, or military support to any group intending to subvert or destabilize the constitutional order of any Latin American state through force or terrorist acts of any kind.

10. Observance of human rights.—Meaning the unrestricted defense of civil, political and religious liberties, thus ensuring the complete material and spiritual fulfillment of all citizens.

2. Actions to ensure the observance of the permanent bases for peace

In order to effectively obtain the permanent bases for peace, it is necessary to create a climate of mutual trust, which will rebuild the spirit of negotiation and translate political will into the actual support of the bases established in order to reach the final objective of the signing and making effective Contadora's Act for Peace and Cooperation in Central America.

For this purpose, it will be necessary to make the following actions a priority:

(1) To renew and conclude the negotiations leading to the signing of Contadora's Act for Peace and Cooperation in Central America.

(2) Termination of external support to the irregular forces operating in the region.

(3) Termination of support to insurrectionist movements in all countries of the region.

(4) Freezing of the purchase of weapons and their organized distribution.

(5) Suspension of international military maneuvers.

(6) Progressive reduction, towards total elimination, of the presence of foreign military advisors and foreign military installations in the area.

(7) Commitment by the five Central American countries, through unilateral statements, to avoid aggression.

(8) Effective steps towards obtaining national reconcilation, and the total observance of human rights and individual liberties.

(9) To promote regional and international cooperation, so as to ameliorate the pressing economic and social problems which afflict the Central American region.

The Ministers are agreed in the opinion that, in order to attain the proposed objective, and to create mutual trust, it is indispensable that these initiatives be taken simultaneously.

3. Support to the permanent bases for peace and specific actions

The Contadora Group countries agree to initiate, with the necessary collaboration from the Group of Support, immediate diplomatic actions directed to obtain explicit support for these bases and actions from the five Central American countries and other members of the international community (particularly the rest of the American continent) interested in achieving peace in the region.

4. Mediation

The member countries of the Contadora Group, with the assistance of the Group of Support, offer their mediation for the purpose of facilitating the development of the following actions.

(1) To promote new actions of national reconciliation, according to the current legal framework of each of the countries, since regional stability also implies the need for internal peace in those countries who have experienced deep social divisions.

(2) To accept the proposal of the President Elect of Guatemala to initiate a process of consultations among the Central American legislative bodies regarding conditions in the Region, so as to create a regional parliament. This could contribute to a better understanding of problems in the area and to strengthen efforts towards negotiation.

(3) To encourage the re-establishment of conversations between the Governments of the United States and Nicaragua, in order to settle their differences and to identify possible forms of agreement. A respectful negotiation, which will take into account the need for mutual and equitable concessions, is the condition necessary to reduce regional tension.

The dialogue of Manzanillo served to identify the requirements for a feasible negotiation which should not be further delayed to avoid presenting a grave risk to Latin America's peace and stability. The obstacles which have stood in the way of this dialogue can be lifted by the political will and flexibility of both parties.

5. Signing of the act and its becoming effective

The eight Ministers have decided to make every effort to speed the negotiations leading to the prompt signing of Contadora's Act for Peace and Cooperation in Central America, and its becoming effective.

Caraballeda, January 12, 1986.

DECLARATION OF GUATEMALA

[Text] The foreign relations ministers of Central America, meeting in Guatemala City on the occasion of the inauguration of President Vinicio Cerezo, and after holding a working meeting with the foreign ministers of Colombia, Mexico, Panama, and Venezuela, members of the Contadora Group, and with the foreign ministers of Argentina, Brazil, Peru and Uruguay, members of the Support Group, issue the following Guatemala Declaration:

1. The ministers of foreign relations of Central America, who are meeting for the first time with the foreign relations ministers of the Contadora and Support Groups, during an occasion deemed to be of major importance to the overall peace process in the region, have received from the ministers of eight Latin American countries the Carabellada document for peace, security, and democracy in Central America.

2. Upon studying the Caraballeda document for Central American peace, security, and democracy, the foreign ministers of Cen-

tral America have agreed to express our adherence to the principles and purposes contained therein, reiterating our countries' commitment to achieve peace and stability through the Contadora document for peace and cooperation in Central America.

We feel that by expressing our adherence to the initiatives and proposals contained in the Caraballeda document, the climate of mutual trust that will permit reaching peace and cooperation in Central America will be generated.

3. The foreign relations ministers of Central America feel, and so acknowledge it, that the meeting of 13 Latin American representatives held in Guatemala City, as the means to find solutions for the region's problems, is an auspicious event that will contribute to consolidating the democratic future of all our countries.

We sign this declaration in Guatemala City, on 14th of January of 1986, the International Year of Peace.

Signed by the five Central American foreign ministers, in support of the Caraballeda document.

COMMUNIQUE ISSUED BY THE MEMBERS OF THE CONTADORA GROUP AND THE GROUP OF SUPPORT AFTER MEETING WITH SECRETARY OF STATE GEORGE SHULTZ

The ministers of foreign affairs of the Contadora group (Colombia, Mexico, Panama and Venezuela) and of the group of support (Argentina, Brazil, Peru and Uruguay) met today with the U.S. Secretary of State, George P. Shultz, in an attempt to encourage Contadora's process of negotiation and begin undertaking the actions set forth in "the Caraballeda Message" within the context of the dialogue which the eight Latin American governments have decided to maintain with all parties involved in the Central American conflict.

This message—representing a Latin American initiative towards peace, security, and the strengthening of democracy in Central America—proposes the following essential measures for their immediate implementation:

The renewal of negotiations leading to the endorsement of Contadora's act for peace and cooperation in Central America.

The cessation of support to irregular forces operating within the region.

The cessation of support to insurrectional movements in all countries of the region.

A freeze in the procurement of armament and their progressive reduction.

The end of international military maneuvers.

The progressive reduction, leading to a complete removal, of foreign military advisors and foreign military installations.

A non-aggression commitment made by each of the five Central American countries through unilateral statements.

The adoption of purposeful steps leading to national reconciliation and the full observance of human rights and civil liberties.

To promote regional and international cooperation, in order to reduce the pressing economic and social problems affecting the Central American region.

This initiative was endorsed by all Central American governments in Guatemala, on January 14, 1986, and has the explicit support of the members of the European economic community and of the international community in general.

In their meeting with Secretary Shultz, the Latin American foreign ministries underlined the need for the above actions to be urgently undertaken, and for progress to be made regarding each of these actions in a simultaneous manner. In this regard it was restated that the end of external support to irregular forces operating in the area is an indispensable contribution to peace. It was also mentioned as imperative the need to adopt effective measures of national reconciliation in all situations where there have been deep divisions within the social fabric.

The ministers affirmed that regional security and stability require the observance of what eight Latin American democracies defined in Caraballeda as permanent bases for peace. That is: a Latin American solution, self-determination, non-interference in the internal affairs of other states, territorial integrity, pluralistic democracy, non-presence of weapons or military bases, not undertaking acts of aggression, non-presence of foreign troops or advisors, non-support of subversive groups, and the respect of human rights.

The ministers also expressed their firm decision to continue negotiations leading to the achievement of a peaceful solution to the regional crisis, with the parties directly involved in the Central American conflict, and with countries with ties and interests in the region.

Meeting in a climate of frankness, the Latin American foreign ministers and U.S. Secretary of State Shultz coincided completely in that the solution to the Central American crisis must be found within political channels and through negotiations.

Washington, D.C., February 10, 1986.

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Contra aid: 1981-87; summary and chronology of major congressional action on key legislation concerning U.S. aid to the anti-Sandinista guerrillas, by Nina M. Serafino. Washington, Congressional Research Service, 1987. 9 p. (CRS report 87-65 F)

CONTRA AID: 1981-86

SUMMARY AND CHRONOLOGY OF MAJOR CONGRESSIONAL ACTION ON KEY LEGISLATION CONCERNING U.S. AID TO THE ANTI-SANDINISTA GUERRILLAS

Summary

Initial Secret Funding In late 1981, Congress approved in the classified portions of legislation relating to intelligence activities a $19 million program of covert military assistance to anti-Sandinista guerrillas (the so-called "contras"), to be managed by the Central Intelligence Agency. Another $19 million in covert military aid was approved by Congress in 1982 for FY83, but Congress restricted the purposes of funding with the first "Boland Amendment." This stated that the funds could not be used for the purpose of overthrowing the Sandinista government.

Open Congressional Funding In 1983, Congress openly appropriated $24 million for the contras in FY84 through conference committee compromises after the House had, in public action on three bills, voted to end contra aid. However, the legislation stated that no more than the $24 million appropriated by Congress could be spent. This blocked CIA use of the contingency fund, from which newspaper accounts suggested the CIA had drawn $10 million in support of the Nicaraguan rebels during 1983.

Aid Cut-off After April 1984, reports that the CIA had supervised directly the mining of three Nicaraguan ports, Congress passed resolutions disapproving that action and voted to cut off aid to the contras. In action at the end of the 1984 session, however, Congress appropriated $14 million in aid to the contras which could be released after Feb. 28, 1985, by a separate vote of Congress on a joint resolution. At that time, Congress also adopted the second so-called "Boland Amendment," a spending restriction that stated that no funds available to the CIA, DOD, or other U.S. intelligence agency could be spent to support military or paramilitary operations in Nicaragua without a prior vote of Congress. In April 1985, the Senate voted for, but the House voted against a joint resolution to release the fenced $14 million.

Resumption of Aid, Limited to Non-lethal Purposes In the summer of 1985, Congress approved $27 million in aid to the anti-Sandinista guerrillas, but restricted its use to non-lethal purposes, i.e., food, clothing, medicine and other forms of "humanitarian" assistance. In approving the funds, Congress recommended a detailed policy that, in effect, called for the Reagan Administration to use the funding as leverage to advance the prospects of peace negotiations between the Sandinsta government and the contras, and among the five Central American countries under the "Contadora" process. Congress also applied what were known as "Boland Amendment" restrictions on the spending which prevented the Administration from using any funds in support of the contras except those specifically approved by Congress. Congress also prohibited the CIA and DOD from playing a role in disbursing the funds, but allowed the CIA to exchange intelligence with the contras and to provide communications equipment and related training.

Resumption of Military Aid In the fall of 1986, Congress appropriated $100 million in military and non-lethal aid to the contras, and lifted restrictions on CIA participation in the contra aid program. Nevertheless, Congress retained so-called "Boland Amendment" type spending restrictions by stating that funds, materiel or other assistance to the contras can be supplied only as provided by law. This prohibits the use of the CIA contingency funds.

Chronology

1981

Congress Approves Program of Covert Contra Aid

11/16/81 -- President Reagan signed a classified "finding" that there was a need for a covert program to support paramilitary operations against "the Cuban presence and Cuban-Sandinista support infrastructure in Nicaragua and elsewhere in Central America," the Miami Herald reported on June 5, 1983.

11/18/81 -- The House and Senate approved the conference report on H.R. 3454 (H. Rept. 97-332), the Intelligence Authorization Act for FY82 (P.L. 97-89, signed into law 12/04/81). According to later news accounts, the classified sections of the bill authorized $19 million for U.S. assistance to the anti-Sandinista guerrillas, the so-called "contras."

12/15/81 -- The House and Senate approved the conference report on H.R. 4995 (H. Rept. 97-410), the Department of Defense Appropriations Act for FY82 (P.L. 97-114, signed into law 12/29/81). According to later news accounts, the bill appropriated $19 million in covert funding for the Nicaraguan rebels. (The Department of Defense Appropriations Act provides in its classified section for appropriations for the Central Intelligence Agency.)

1982

Congress Restricts Purposes of Covert Contra Funding with the First "Boland Amendment"

09/08/82 -- The House approved the conference report on H.R. 6068 (H. Rept. 97-779), the Intelligence Authorization Act for FY83 and supplemental authorization for FY82. The classified sections of the bill reportedly authorized $19 million for the anti-Sandinista guerrillas for FY83.

09/10/82 -- The Senate approved the conference report on H.R. 6068 (P.L. 97-269, signed into law 09/27/82).

12/08/82 -- The House, in action on H.R. 7355, the Department of Defense Appropriations Bill for FY83, approved, 411-0, a Boland Amendment prohibiting the use of U.S. funds for the purpose of overthrowing the Government of Nicaragua or effecting a military exchange between Nicaragua and Honduras. The House rejected, by a division vote of 13-27, a Harkin amendment prohibiting all military support for the anti-Sandinista guerrillas. This bill reportedly appropriated the $19 million authorized by H.R. 6068.

12/18/82 -- In action on H.J. Res. 631, the Continuing Resolution for FY83, which incorporated H.R. 7355, the Senate tabled, 56-38, a Dodd amendment declaring the sense of Congress that no funds should be spent to support irregular military forces or paramilitary groups in Central America. No action was taken on a Boland-type substitute amendment offered by Moynihan.

12/20/82 -- The House and Senate voted to retain the House Boland amendment in the conference committee report (H. Rept. 97-980) on H.J. Res. 631 (P.L. 97-377, signed into law 12/21/82).

1983

Congress Openly Provides Contra Aid, but Caps Spending

07/28/83 -- The House passed, 228-195, H.R. 2760 (known as the Boland-Zablocki bill) to amend the Intelligence Authorization Act for FY83 (P.L. 97-269). It would end covert assistance to the contras on a secret date, and authorize $80 million in overt U.S. assistance to assist Central American governments in interdicting clandestine arms shipments to subversive groups in their countries. The bill was sent to the Senate, but not acted upon there.

10/20/83 -- The House approved H.R. 2968, its version of the Intelligence Authorization Act for FY84, which, like H. R. 2760, (see above) would end covert funding to the anti-Sandinista guerrillas.

11/02/83 -- The House approved H.R. 4185, Department of Defense Appropriations Act for FY84 (P.L. 98-569). The House version included provisions to make all spending to assist the contras contingent on congressional approval, the intent of which was to prohibit the CIA from using contingency funds to support them.

11/03/83 -- The Senate passed H.R. 2968 as amended by S. 1230, its version of the Intelligence Authorization Act for FY84, which recommended a classified level of funding for covert assistance to the rebels.

11/18/83 -- The House and Senate approved the conference report on H.R. 2968 (H. Rept. 98-569), the Intelligence Authorization Act for FY84 (P.L. 98-215, signed into law 12/09/83). Under a compromise arrived at in conference, the bill openly authorized $24 million in assistance to the contras. The "Boland amendment" restriction of P.L. 97-377 was not included in the bill. However, in order to secure the intelligence committees' approval for the FY84 contra aid program, the Administration reportedly agreed to abide by the restrictions contained in a classified report to the intelligence committees justifying the funding.

-- Both chambers also approved the conference report to H.R. 4185 (H. Rept. 98-567), the Department of Defense Appropriations Act for FY84 (P.L. 98-212, signed into law 12/08/83), which appropriated funds for intelligence activities. The conference report deleted the House's specific provisions regarding congressional approval, but set a ceiling of $24 million on the funding in support of military or paramilitary operations in Nicaragua.

1984

Congress Cuts Off Contra Aid, Adopts the So-Called "Boland Amendment" Spending Restriction, and Provides for Possible Resumption of Aid

04/05/84 -- The Senate passed its version of H.J. Res. 492, the Urgent Supplemental Appropriations Bill for the Department of Agriculture. As forwarded by the Appropriations Committee and passed by the Senate, the bill would appropriate $21 million for the Nicaraguan guerrillas. The previous day, the Senate voted 30-61 to table a Kennedy amendment to delete the contra funding.

04/10/84 -- The Senate approved, 84-12, an amendment to H.R. 2163 (A Bill To Amend the Federal Boat Safety Act of 1971) expressing the sense of Congress against the mining of Nicaraguan ports and the withdrawal by the United States of its consent to World Court jurisdiction over disputes involving the United States and Central America.

04/12/84 -- The House passed, 281-111, H. Con. Res. 290, expressing the sense of Congress that no appropriated funds should be used for the purpose of mining the ports or territorial waters of Nicaragua.

05/24/84 -- During action on the conference report on H.J. Res. 492, the Urgent Supplemental, the House adopted, 241-177, an amendment stating that no funds were being appropriated for the Central Intelligence Agency to assist the anti-Sandinista guerrillas.

06/25/84 -- During action on the conference report on H.J. Res. 492, the Senate voted 88-1 to delete its amendment allocating $21 million in funding for the anti-Sandinista guerrillas.

06/26/84 -- During further action on the conference report on H.J. Res. 492, the House agreed to recede from its amendment explicitly stating no funds were being appropriated for the CIA to support the rebels, apparently as a quid pro quo for the previous day's Senate action. Since the $24 million in FY84 funding for the rebels reportedly was totally spent by mid-1984, Congress effectively ended U.S. aid to the rebels by the passage of H.J. Res. 492 stripped of contra funding.

08/02/84 -- The House passed H.R. 5399, the Intelligence Authorization bill for FY85, with a prohibition on the use of intelligence funds for covert activities in Nicaragua.

10/10/84 -- The House approved the conference report on H.J. Res. 648, the Continuing Appropriation Resolution for FY85. Conferees included an appropriation of $14 million in military aid for the contras, which could be released after February 28, 1985, by a separate vote of Congress and upon a Presidential request and certification. They also included the so-called second "Boland Amendment" in section 8066(a) of the DOD portions of the bill. This stated that during FY85, unless Congress should vote otherwise, "no funds available to" the CIA, the DOD, or any other U.S. agency or entity involved in intelligence activities "may be obligated or expended for the purpose, or which would have the effect, of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement or individual."

10/11/84 -- The Senate agreed to the conference report on H.J. Res. 648 (P.L. 98-473, signed into law 10/21/84).

-- The Senate passed H.R. 5399 (P.L. 99-618, signed into law 11/08/84). The House agreed to Senate amendments to the bill which authorized the expenditure of $14 million for the contras as provided in H.J. Res. 648.

1985

Congress Resumes Aid for Non-lethal "Humanitarian" Purposes

04/03/85 -- The President submitted a formal request to Congress to release the $14 million in contra aid appropriated by P.L. 98-473.

04/23/85 -- The House disapproved, 180-248, H.J. Res 239 (Michel), which would release the $14 million provided by P.L. 98-473 for the anti-Sandinista guerrillas.

-- The Senate adopted, 53-46, S.J. Res. 106 (Dole), to release the $14 million in assistance to the contras.

04/24/85 -- The House disapproved, 123 to 303, H.J. Res. 247 (Barnes) to provide $10 million in refugee assistance for Nicaraguans through international agencies and to provide $4 million for the Central American diplomatic initiative sponsored by the four so-called "Contadora Group" countries. In a complicated process, the House had first passed, 219-206, a substitute Hamilton amendment, which was identical to Barnes. Next it disapproved, 213-215, a Michel amendment which would have provided $14 million in "humanitarian" non-lethal assistance to the contras through the U.S. Agency for International Development. The House then defeated the underlying bill.

06/06/85 -- The Senate adopted, 55-42, the Nunn amendment to S. 1003, the Foreign Relations Authorization Act for FY86. This would release the $14 million provided by P.L. 98-473, and provide another $24 million, both amounts to be used only for non-lethal "humanitarian" assistance to the contras in FY86. In other action on the bill, the Senate disapproved, 17-79, a Dodd amendment to provide the $14 million only to expedite a withdrawal from Nicaragua of Nicaraguan rebels and to provide for their relocation.

06/12/85 -- The House approved, 248-184, the McDade Amendment to H.R. 2577, the Supplemental Appropriations Act for FY85, appropriating $27 million in non-lethal "humanitarian" assistance to the contras through March 31, 1986, and which was to be distributed by a U.S. agency other than the CIA or DOD. It stated that the "Boland Amendment" restrictions of P.L. 98-473 should apply to the funds appropriated by the act, but noted that this would not preclude the exchange of intelligence with the contras.

06/20/85 -- The Senate approved its version of H.R. 2577, the Supplemental Appropriatons Act, which included $38 million in non-lethal aid for the anti-Sandinista guerrillas, as provided in S. 1003.

07/10/85 -- The House approved by voice vote the McCurdy Amendment to H.R. 1555, the International Security and Development Cooperation Act for FY86 and FY87 (Foreign Aid Authorization), authorizing $27 million in non-lethal, "humanitarian" assistance to the anti-Sandinista guerrillas as provided in H.R. 2577. It then incorporated H.R. 1555 into S. 960. The Senate version had passed the Senate on May 15, 1985, without any reference to aid to the contras.

07/18/85 -- The House approved by voice vote a committee amendment to H.R. 2419, the Intelligence Authorization Act for FY86, prohibiting the provision of lethal material assistance to the rebels. According to floor statements, however, the language permitted the CIA to share intelligence with the anti-Sandinista guerrillas. One Member noted on the floor that the adopted amendment overrode the bill's original section 105, which had restated the second "Boland Amendment" as contained in P.L. 98-473 (see entry of 10/10/84).

07/30/85 -- The Senate approved the conference report (H. Rept. 99-237) to S. 960, the foreign aid authorization for FY86 and FY87. The conference report included House provisions for $27 million in non-lethal "humanitarian" aid to the contras.

As stated in the conference report, the bill contained a so-called "Boland Amendment" type spending restriction, which prohibited the use of any other funds authorized by that bill, by the Foreign Assistance Act of 1961 or by the Arms Export Control Act "to provide assistance of any kind, either directly or indirectly, to any person or group engaging in an insurgency or other act of rebellion against the Government of Nicaragua."

It also prohibited the United States from entering into any arrangement that would expressly or implicitly condition the provision of foreign assistance under the Act or the purchase of defense articles and services under the Arms Export Control Act upon the provision of assistance to the rebels.

The legislation called for the United States to use the funding to advance peace negotiations between the Sandinista government and its armed opponents, and among the five Central American countries through the Contadora process.

07/31/85 -- The House approved the conference report on S. 960 (P.L. 99-83, signed into law 08/08/85).

-- The House agreed to the conference report (H. Rpt. 99-236) on H.R. 2577, Supplemental Appropriations Act for FY85. The conferees had agreed to provide $27 million for non-lethal "humanitarian" aid to the Nicaraguan rebels.

08/01/85 -- The Senate adopted the conference report on H.R. 2577 (P.L. 99-88, signed into law 08/15/85).

11/19/85 -- The House agreed to the conference report (H. Rept. 99-373) on H.R. 2419, the Intelligence Authorization Act for FY86. The act authorized the CIA to provide communications equipment and related training for the anti-Sandinista guerrillas, and permitted the CIA to exchange intelligence with the contras. It prohibited the CIA from providing any other aid to the rebels, thus barring the use of CIA contingency funds to support them. It also specifically stated that it did not preclude "activities of the Department of State to solicit" humanitarian aid for the rebels.

11/21/85 -- The Senate agreed to the conference report on H.R. 2419 (P.L. 99-169, signed into law 12/04/85).

12/19/85 -- Both chambers approved the second conference report (H. Rept. 99-450) on H.J. Res. 465, Further Continuing Appropriations for FY86 (P.L. 99-190, signed into law 12/19/86). The defense portions of the bill included the same language as the intelligence authorization bill on assistance to the contras, and appropriated a classified amount for the CIA to provide communications equipment and training, and to exchange intelligence with them.

(According to a January 14, 1987 Washington Post report, these expenditures totaled $13 million in 1986.) They also prohibit the use of funds appropriated by the act for any intelligence or special activity not "previously justified to the Congress" unless the CIA director or the Secretary of Defense notified the appropriations committees of both chambers of the intent to do so.

1986

Congress Resumes Military Aid to the Contras

02/25/86 -- President Reagan formally requested that Congress approve $100 million for military and other support the anti-Sandinista guerrillas.

03/20/86 -- The House disapproved, 210-222, H.J. Res. 540 (Michel) to provide $100 million in military and other assistance to the rebels.

03/27/86 -- The Senate approved, by voice voice, S.J. Res 283 (Lugar) as amended, to provide $100 million for the contras. By a 53-47 vote, it approved a Lugar amendment in the nature of a substitute which provided $100 million in military and other assistance to the anti-Sandinista guerrillas, and contained no restrictions on the use of the CIA to assist the guerrillas. The Senate rejected, 24-74, a Kennedy amendment to prohibit any U.S. assistance to military or paramilitary groups operating in Nicaragua. It also rejected, 33-67, a Sasser amendment which would allow the $100 to be spent only for humanitarian aid and would prohibit the CIA or other intelligence agencies from assisting the contras.

04/16/86 -- The House action on H.J. Res 601, to provide $100 million for the contras, was suspended after the House had approved, 361-66, a Hamilton substitute amendment that would provide refugee assistance to Nicaraguans through international agencies. That vote was seen as a result of many Members' discontent with the rule attached to the bill, and was not viewed as representing the desires of the majority. H.J. Res. 601 was later removed from consideration.

06/25/86 -- The House passed H.R. 5052, the Military Construction Appropriations Act for FY87, as amended. The Edwards (of Oklahoma) amendment, approved 221-109, which became Title II of the bill, allowed the President to transfer $100 million in unobligated FY86 Department of Defense funds (P.L. 99-190), for military and non-lethal "humanitarian" aid to the anti-Sandinista guerrillas. The House rejected, 183-245, a Hamilton amendment to provide refugee assistance for Nicaraguans.

08/13/86 -- The Senate approved, 57-43, Title II of H.R. 5052 as adopted by the House, and subsequently approved the entire bill.

08/17/86 -- The House passed H.R. 4759, the Intelligence Authorization Act for FY87, which would allow U.S. intelligence agencies to provide funds, materiel or other assistance to the contras only as provided by law. This prohibited the CIA from using contingency funds in support of the Nicaraguan guerrillas.

08/24/86 -- The Senate passed H.R. 4759, after approving its own bill, S. 2477 as a substitute amendment. The unclassified portions of that bill did not mention assistance to the contras.

10/02/86 -- The House agreed to the conference report (H. Rept. 99-952) to H.R. 4759, which contained the House restrictions on intelligence agencies concerning the Nicaraguan rebels.

10/06/86 -- The Senate agreed to the conference report on H.R. 4759 (P.L. 99-569, signed into law 10/27/86).

10/17/86 -- Both chambers approved the conference report on H.J. Res. 738, the Continuing Appropriations Act for FY87 (P.L. 99-500, signed into law 10/18/86, with a corrected version signed into law 10/30/86), which incorporates Title II of H.R. 5052, the Military Construction Appropriations Act for FY87.

Nina M. Serafino, Analyst in Latin American Affairs, Foreign Affairs and National Defense Division, Congressional Research Service

100th Congress, 1st Session - - - - - - - - - - - House Document 100-45

FURTHER ASSISTANCE TO NICARAGUAN DEMOCRATIC RESISTANCE

COMMUNICATION

FROM

THE ASSISTANT SECRETARY OF STATE, LEGISLATIVE AND INTERGOVERNMENTAL AFFAIRS

TRANSMITTING

A COPY OF PRESIDENTIAL DETERMINATION NO. 87-10, WITH A REPORT ON NICARAGUA, PURSUANT TO SECTIONS 211(e) AND 214 OF THE MILITARY CONSTRUCTION ACT, 1987 AS CONTAINED IN PUBLIC LAW 99-500

MARCH 5, 1987.—Referred jointly to the Committees on Appropriations, Foreign Affairs, the Permanent Select Committee on Intelligence, and the Committee on Armed Services and ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE
91-012 WASHINGTON : 1987

U.S. DEPARTMENT OF STATE,
Washington, DC, March 5, 1987.

Hon. JAMES C. WRIGHT,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: We previously transmitted to you the Presidential Determination of December 12, 1986, under Section 211(d)(1) of the act making appropriations for military construction for the Department of Defense for the fiscal year ending September 30, 1987, as contained in Public Law 99-500, approved by the President on October 18, 1986 ("the act"). That Presidential Determination had the effect of making available the second tranche of $20 million under the act for assistance to the Nicaraguan democratic resistance.

The third and final increment, of $40 million, provided for by the act is now needed to continue the program of assistance begun in October 1986. Therefore, in accordance with the provisions of Sections 211(e) and 214 of the act, the President has now further determined that:

(a) the Central American countries have not concluded a comprehensive and effective agreement based on the Contadora Document of Objectives;

(b) the Government of Nicaragua is not engaged in a serious dialogue with representatives of all elements of the Nicaraguan democratic opposition, accompanied by a cease-fire and an effective end to the existing constraints on freedom of speech, assembly, religion, and political activity, leading to regularly scheduled free and fair elections and the establishment of democratic institutions; and

(c) there is no reasonable prospect of achieving such agreement, dialogue, cease-fire, and end to constraints described above through further diplomatic measures, multilateral or bilateral, without additional assistance to the Nicaraguan democratic resistance.

I enclose a copy of the Presidential Determination, along with a report addressing the matters described in Sections 211(e) and 214 of the act. An identical letter with a copy of the Presidential Determination and the report has also been forwarded to the President of the Senate.

In accordance with the provisions of the Act, fifteen days after this Presidential Determination is furnished to you the $40 million third increment of the $100 million of funds transferred to the President under Section 206(a) will be available for assistance to the Nicaraguan democratic resistance.

With best wishes,

Sincerely,

J. EDWARD FOX,
Assistant Secretary,
Legislative and Intergovernmental Affairs.

Enclosures:
- (A) Presidential Determination.
- (B) Report.

[Presidential Determination No. 87-10]

THE WHITE HOUSE,
Washington, March 5, 1987.

MEMORANDUM FOR THE SECRETARY OF STATE

Subject: Further Assistance to Nicaraguan Democratic Resistance.

In accordance with Title II, Section 211(e) of the act making appropriations for military construction for the Department of Defense for the fiscal year ending September 30, 1987, as contained in Public Law 99-500, approved on October 18, 1986 ("the act"), I hereby determine that the conditions set forth in that Section with respect to provision of assistance to the Nicaraguan democratic resistance have been met, specifically:

(a) that the Central American countries have not concluded a comprehensive and effective agreement based on the Contadora Document of Objectives;

(b) that the Government of Nicaragua is not engaged in a serious dialogue with representatives of all elements of the Nicaraguan democratic opposition, accompanied by a cease-fire and an effective end to the existing constraints on freedom of speech, assembly, religion, and political activity, leading to regularly scheduled free and fair elections and the establishment of democratic institutions; and

(c) that there is no reasonable prospect of achieving such agreement, dialogue, cease-fire, and end to constraints described above through further diplomatic measures, multilateral or bilateral, without additional assistance to the Nicaraguan democratic resistance.

You are hereby directed to report this determination to the Congress. This memorandum shall be published in the Federal Register.

RONALD REAGAN.

THE WHITE HOUSE
Washington, March 1987.

REPORT ON NICARAGUA

INTRODUCTION

This report on Nicaragua is transmitted in accordance with sections 211(e) and 214 of the FY 1987 military construction appropriations act. It includes:

—A detailed statement of the status of negotiations toward a settlement of the conflict in Central America, including the willingness of the Nicaraguan democratic resistance and the Government of Nicaragua to negotiate a settlement;

—A discussion of alleged human rights violations by the Nicaraguan democratic resistance and the Government of Nicaragua, including a statement of the steps taken by the Nicaraguan democratic resistance to remove from its ranks any individuals who have engaged in human rights abuses; and

—An evaluation of the progress made by the Nicaraguan democratic resistance in broadening its political base and defining a unified and coordinated program for achieving representative democracy in Nicaragua.

The bulk of the $60 million previously released for obligation has been allocated for logistical and training needs of the Nicaraguan democratic resistance. Detailed accounting on disbursements from these funds is being provided separately to the appropriate committees of the Congress. To date, $2 million has been allocated to the Department of State for strengthening programs and activities of the Nicaraguan democratic resistance for the observance and advancement of human rights. Of the $2 million, $400,000 has been disbursed to the Nicaraguan Association for Human Rights. Detailed accounting of how these funds are being used is provided in the attached Annex. Accounting standards, procedures, and controls have been developed in consultation with the appropriate committees of Congress and the Office of the Comptroller General.

This report focuses on the period since December 12, 1986, when the last report on Nicaragua was transmitted to the Congress in accordance with sections 211(d) and 214 of the Act.

EFFORTS TO PROMOTE A SETTLEMENT IN CENTRAL AMERICA AND IN NICARAGUA

Efforts toward a negotiated agreement in Central America have intensified in recent months but continued intransigence by Nicaragua has prevented progress. The Contadora countries have sought to revive the negotiating process, deadlocked since mid-1986, but they have achieved no breakthroughs. The Central American democracies, building on the momentum they developed in 1986 to take the lead role in the resolution of the regional crisis, are moving forward with ideas of their own intended to overcome the impasse in the Contadora process.

The Foreign Ministers of the Contadora and Support Group countries met in Rio de Janerio on December 16–18. They issued a declaration noting the serious situation in Central America and announcing their intention to visit Central America in early January, accompanied by the Secretaries General of the OAS and UN. A separate communique announced their decision to institutionalize Contadora by scheduling regular meetings and to broaden its scope to include regional political and economic issues.

During their January 19–20 trip to the five Central American countries, the eight Foreign Ministers sought to find common ground for resuming the negotiations. They issued a communique on January 21 stating that they had not found among the Central Americans the political will to resolve the conflict. They noted, however, that all the Central American states had expressed their continuing interest in a political solution and their willingness to continue to participate in the Contadora process. The Contadora countries would, therefore, persevere in their efforts.

In their discussions with the Contadora ministers, the four Central American democracies stressed that the key to lasting peace was democratic political change in Nicaragua. This required that the Sandinistas enter into a process of dialogue and national reconciliation with their opposition. President Azcona of Honduras sent a letter to his counterparts in the eight Contadora and Support Group countries explaining that the crisis in Central America was not an international conflict between countries, but an internal conflict within Nicaragua that was spilling over its borders; this internal conflict was caused by the lack of democracy in Nicaragua and the Sandinistas' efforts to consolidate a dictatorship aligned with the Soviet Union and Cuba. He also pointed out that Nicaragua effectively blocked the negotiating process by taking an issue at the core of the regional conflict to the International Court of Justice (ICJ). A Salvadoran aide memoire noted that Nicaragua's suits against Costa Rica and Honduras at the ICJ (filed in July, 1986) were incompatible with the Contadora process. It called on Nicaragua to drop the cases so that negotiations could resume.

The Sandinistas, however, remained intransigent. The Nicaraguan communique issued during the Contadora visit demonstrated the Sandinistas' continuing desire for a piecemeal approach that would relieve them of the obligations of a comprehensive, verifiable, and simultaneous Contadora settlement. They called for bilateral talks with the United States, Honduras, and Costa Rica. They refused to withdraw their cases at the International Court of Justice. Most importantly, they showed no signs that they were willing to enter into a dialogue with their own people for instituting democratic process in Nicaragua.

In keeping with their interest in assisting the Contadora process, the UN and OAS Secretaries General accompanied the eight Contadora foreign ministers at the latters' request. Throughout the trip, both the OAS and the UN Secretary General made clear that theirs was a supporting and facilitating role and that it was up to the Contadora countries and the Central Americans to move the process forward.

Costa Rica has taken the lead in formulating proposals to break the impasse in regional negotiations by addressing the key issues of national reconciliation and democratization in Nicaragua. On January 7, Assistant Secretary Abrams and the President's Special Envoy for Central America, Ambassador Phillip Habib, met with Costa Rican Foreign Minister Madrigal in Miami to discuss President Arias' ideas. Madrigal subsequently discussed these ideas with his counterparts from the three Central American democracies at a meeting in San Salvador on January 16. After meeting with the visiting Contadora foreign ministers on January 19, Madrigal traveled to Western Europe to share these ideas with several governments.

On February 15, President Arias hosted a summit meeting in San Jose of the four democratic Central American nations. The four presidents joined in a declaration of principles noting the need for peace in the region, and they agreed that a draft peace proposal by President Arias should be considered at a subsequent summit meeting—which would include Nicaragua—to be held within 90 days at Esquipulas, Guatemala. The Arias proposals seek to address the key issues of national reconciliation and democratization within the Contadora framework. The Sandinistas initially scorned the Arias initiative; a harshly worded Nicaraguan communique issued January 30 accused Costa Rica of sabotaging the Contadora process, committing treason against all of Latin America, and surrendering its sovereignty (along with the other Central American democracies) to the United States. Following the San Jose summit meeting, the Sandinistas revised their position; they stated that they would study the Arias proposals and would participate in the Esquipulas meeting. The United States has welcomed the efforts of Costa Rica and the other three Central American democracies to overcome the current impasse in regional negotiations.

The United Nicaraguan Opposition (UNO) also had several representatives in Guatemala City during the San Jose III meeting between Central American foreign ministers and their European counterparts. UNO's Secretariat of International Relations is pursuing every opportunity to explain to other governments and foreign audiences the position of the resistance. UNO Leaders Arturo Cruz and Alfonso Robelo as well as the Southern Opposition Bloc (BOS) have announced their support of the principles behind the Arias peace initiative. BOS has also announced a willingness not to accept U.S. aid if a cease-fire is declared.

Between January 12 and 16, the eve of the Contadora and Support Group trip to the region, Ambassador Habib traveled to five Contadora and Support Group countries—Argentina, Brazil, Panama, Uruguay, and Venezuela—to continue consultations on the negotiating process. He explained that the United States welcomed their efforts to revive the negotiating process and urged them to listen to the Central American democracies during their visit.

The following week Ambassador Habib visited seven of the European Community countries—Belgium, France, Italy, Portugal, Spain, the United Kingdom, and West Germany—to consult with

O'Leary, Michael Kent.
The politics of American foreign aid. New York, Atherton Press, 1967. 172 p.

Owens, Edgar.
Development reconsidered: bridging the gap between government and people. Lexington, Mass., Lexington Books, 1974. 190 p.

Pastor, Robert A. Feinberg, Richard.
U.S. Latin American policy: a Marshall plan for the Caribbean? Vital issues, v. 33, no. 1, 1984: 1-6.
"The U.S. has a growing stake in the development and progress of the region; the time has come not for a 'Marshall Plan,' which bears the name of an American, but for a Caribbean Basin Compact, which bears the name of the region and is premised on full cooperation among all the parties of the region."

Polk, Virginia.
Central American aid: more is not always better. Washington, Heritage Foundation, 1984. 13 p. (Backgrounder no. 350)
"The United States has vital interests in Central America and should provide that region humanitarian assistance and stabilization support. The purposes of its economic assistance to Central America should be to relieve the suffering caused by political violence and economic breakdown and to bolster governments under siege by leftist guerrillas by preventing economic collapse. Economic assistance should be channeled to private sector activities where efficient economic use is more assured . . . . The Reagan Administration's economic assistance proposals for Central America implicitly assume that development requires large amounts of external credit. . . . If steps are taken to shore up the economies of Central America during a crisis period, and if assistance is targeted in a way that lays the basis for future growth . . . the real amount of economic assistance needed by Central America may be much less than that proposed by the Administration."

President's Private Sector Survey on Cost Control (U.S.)
Report on the Department of State/AID/USIA. Approved by the Subcommittee for the full Executive Committee, spring-fall 1983. Washington, for sale by the Supt. of Docs., G.P.O., 1983. 119 p.
This Grace Commission report includes a critical examination of Agency for International Development operations.

Prosterman, Roy L. Riedinger, Jeffrey M.
The quality of foreign aid. S. l, Rural Development Institute, c1984. 16, 19, 15 p. (RDI monographs on foreign aid and development, 0748-0644; no. 1)
"Eighth Annual 'Grading' of the proposed U.S. foreign Assistance Program, as embodied in the Agency for International Development's Congressional Presentation for Fiscal Year 1985."

Ranis, Gustav.
Foreign aid: euthanasia or reform? Worldview, v. 23, Mar. 1980: 25-29.
"A candid assessment of the malaise in development thinking and proposals for rebuilding confidence in America's ability to do something right."

Reeves, T. Zane.
The politics of Peace Corps and VISTA. University, Ala., University of Alabama Press, c1987.
This work is forthcoming in 1987.

Reich, Otto J.
Latin America: the economic and political challenge. Agenda, v. 5, May 1982: 32-36.
The Assistant Administrator for Latin America and the Caribbean of the U.S. Agency for International Development (AID) discusses the importance of U.S. economic assistance to Latin America and describes AID's programs in the region.

Rice, Gerard T.
Twenty years of Peace Corps. Washington, The Corps, for sale by the Supt. of Docs., G.P.O., 1981. 93 p.

Richardson, Elliot L.
Foriegn aid and U.S. national interests. Washington, Dept. of State, for sale by the Supt. of Docs., G.P.O., 1969. 8 p. (Department of State publication 8485)

Robinson, Brandon.
Third world problems and assistance from a democratic society. Foreign Service journal, v. 54, Mar. 1977: 10-12, 30-31.

Points out that "by placing the entire emphasis on the transfer of resources, and on 'access' to science and technology, and by ignoring the key problems of policy, management, and know-how, NIEO (New International Economic Order) provides a very partial and distorted picture of requirements." U.S. aid policy should stress the other 2 fundamentals of the development process, sound policies and effective management.

Robock, Stefan Hyman.
Brazil's developing northeast: a study of regional planning and foreign aid. Westport, Conn., Greenwood Press, 1980, c1963. 213 p.

Rowe, Edward Thomas.
National attributes associated with multilateral and US bilateral aid to Latin America: 1960-1971. International organization, v. 32, spring 1978: 463-475.

This study of per capita aid allocations to Latin American countries confirms that there are strong similarities in the distribution of aid by multilateral and U.S. bilateral programs but that the relationships between aid and national attributes of the recipients are not similar.

Scheffer, David J.
Latin Americanizing foreign aid. Harvard political review, winter 1974: 15-17, 28.

Describes what the author considers the successes of the Inter-American Foundation, "a small non-profit U.S. government corporation established by Congress to support indigenous social development efforts in Latin America and the Caribbean."

Schuh, G. Edward.
The United States and the developing countries: an economic perspective. Washington, National Planning Association, 1986. 139 p.

Partial contents.--Changes in the structure of the international economy.--Changing competitive positions in the international economy.--The U.S. stake in the less developed countries.--Recent economic performance of the less developed countries.--U.S. policies toward the less developed countries.--Policies for the future.

Schultz, Theodore W.
The economics of U.S. foeign aid. Bulletin of the atomic scientists, v. 39, Oct. 1983: 21-27.

The author briefly reviews agricultural production problems throughout the world. He critiques U.S. and other agricultural assistance programs, suggesting that "in doing foreign aid, we do not comprehend sufficiently the reasons for the successes as well as for the failures pertaining to agriculture and food. We underrate the importance of health, education and entrepreneurial ability, that is, improvements over time in the quality of farm people from their investment in human capital."

Sen, Sudhir.
Farewell to foreign aid. Worldview, v. 25, July 1982: 7-10.

Reviews the history of U.S. economic and technical assistance programs. Contrasts the Point Four program with the Marshall Plan, and critiques present policies.

Sewell, John W.
The Third World: exploring U.S. interests, by John W. Sewell and John A. Mathieson. [New York] Foreign Policy Association, 1982. 64 p. (Headline series, no. 259)

Partial contents.--American perspectives and political traditions.--Political and strategic interests.--Economic interests.--The political process.--Needed: a development strategy.

The United States and world development: agenda 1980, by John W. Sewell and others. [New York] Praeger [1980] 242 p. (Praeger special studies)

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The ties that bind: U.S. interests and Third World development, by John W. Sewell and John A. Mathieson. [Washington] Overseas Development Council, 1982. 58 p. (Overseas Development Council. Development paper 32)

"This paper is reprinted, with minor revisions, from "The Third World: Exploring U.S. Interests," issued as No. 259 in the Headline Series."

Shenoy, Sudha. Waters, Rufus.
Does foreign aid help the third world? Cato policy report, v. 5, Sept. 1983: 6-9.

Economist Sudha Shenoy discusses foreign aid and Rufus Waters comments on Ms. Shenoy's observations. Shenoy asserts that "foreign aid, as it is called, is neither necessary nor sufficient for economic development. If the conditions for growth are present, aid is unnecessary. It the conditions for growth are not present, aid is inimical."

Shute, Nancy.
After a turbulent youth, the Peace Corps comes of age. Smithsonian, v. 16, Feb. 1986: 81-84.

In its 25th year, the bold experiment that doubters viewed as a fringe foreign legion is finally hitting its full stride."

Smith, Gaddis.
What we got for what we gave; the American experience with foreign aid. American heritage, v. 29, Apr.-May 1978: 64-71, 76-81.

"The American government, beginning with the loans of World War I, has had sixty years' experience with foreign aid. The experience reflects the shifting assumptions of foreign policy--from the denial in World War I that our loans should be considered a contribution to a common military effort; to the generosity of Lend-Lease and the Marshall Plan during and after World War II; . . . to the disillusionment of the Vietnam era, when many Americans seemed on the verge of abandoning the whole enterprise; to a quieter, more mature willingness in the late 1970's to continue foreign aid, but on a relatively modest scale and without utopian expectations."

Sorzano, Jose.
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Statement by the U.S. representative to the United Nations Economic and Social Council.

Sumberg, Theodore A.
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Tendler, Judith.
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Textor, Robert B.
Cultural frontiers of the Peace Corps. Cambridge, M.I.T. Press, 1966. 363 p.

Thompson, Kenneth W.
Foreign assistance: a view from the private sector. Notre Dame [Ind.] University of Notre Dame Press [1972] 160 p.

Thorp, Willard Long.
The reality of foreign aid. New York, Published for the Council on Foreign Relations by Praeger Publishers [1971] 370 p.

Time to put paid to aid; American survey. Economist, v. 295, Apr. 6, 1985: 21-23.
"Since the end of the second world war, when the Americans began to scatter their aid on foreign soil, they have been asking themselves why they do so. Motivations and priorities shift, sometimes radically . . . . Although military and economic aid have remained as uneasy partners down the years," one congressional proposal has been made to link the two.

Tonelson, Alan.
Foreign aid reform: killed with kindness. Nation, v. 226, June 10, 1978: 686-689.
Describes events surrounding congressional action on a foreign aid reform bill.

Tollefson, Scott D.
Jamaica: the limits of a showcase policy. SAIS review, v. 5, summer-fall 1985: 189-204.
"To a large extent, the choice of policies hinges on how one views the effectiveness of economic aid. Some argue that foreign aid for economic development is often counterproductive. Referring to the Caribbean and Central America, Charles Doran concludes that 'aid has not contributed to internal political stability. On the contrary, empirical evidence shows that U.S. foreign aid catalyzes domestic political conflict . . . . This argument may partially explain the January demonstrations. If one rejects the premise that aid promotes political stability, the alternative of disengagement or bengin neglect becomes more compelling. But if one accepts the premise that economic aid promotes stability, then a developmentalist strategy for the region would be appropriate, despite its drawbacks."

Trade, aid and U.S. economic policy in Latin America. Edited by Howard J. Wiarda and Janine T. Perfit. Center for Hemispheric Studies, American Enterprise Institute for Public Policy Research, [1983] 81 p. (Occasional papers series; no. 6)

U.S. arms and foreign aid. Current history, v. 77, July-Aug. 1979: whole issue.
Partial contents.--United States foreign aid in perspective, by D. Gordon.-- United States aid and the arms trade, by D. Moore.--Diminishing U.S. aid in Latin America, by R. Alexander.

U.S. Agency for International Development.
Economic development versus military expenditures in countries receiving U.S. Aid: priorities and the competition for resources; report submitted to the Committee on Foreign Affairs, U.S. House of Representatives and Committee on Foreign Relations, U.S. Senate by the Agency for International Development in accordance with section 620(s) of the Foreign Assistance Act of 1961, as amended. Washington, G.P.O., 1980. 93 p.
At head of title: 96th Congress, 2nd session. Joint committee print.

U.S. Congress. House. Committee on Appropriations. Subcommittee on Foreign Operations and Related Agencies.
Foreign assistance and related programs appropriations for 1987. Hearings, 99th Congress, 2nd session. Washington, G.P.O., 1986. 5 v.
Partial contents.--Justification of budget estimates. (Agency for International Development.--Security assistance.--Multilateral development banks.--Testimony of Members of Congress and other interested individuals and organizations.

U.S. Congress. House. Committee on Foreign Affairs.
Objectives of U.S. foreign assistance: does development assistance benefit the poor? Hearing 97th Congress, 2nd session, Aug. 17, 1982. Washington, G.P.O., 1982. 102 p.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Inter-American Affairs.
Future development assistance to transitional countries. Hearings, 96th Congress, 2nd session. Feb. 21, and July 23, 1980. Washington, G.P.O., 1980. 76 p.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs.
Foreign assistance legislation for fiscal years 1986-87 (part 6). Hearings and markup, 99th Congress, 1st session. Mar. 5 and 19, 1985. Washington, G.P.O., 1985. 363 p.

U.S. Congress. Senate. Committee on Appropriations. Subcommittee on Foreign Assistance and Related Programs.
Foreign assistance and related programs appropriations for fiscal year 1986. Hearings, 99th Congress, 1st session, S. 1816. Washington, G.P.O., 1986. 1540 p. (Hearings, Senate, 99th Congress, 1st session, S. Hrg. 99-186, part 1)
Partial contents.--Agency for International Development.--Department of State.--Department of the Treasury.--Export-Import Bank of the United States.--Inter-American Foundation.--Nondepartmental witnesses.--Peace Corps.

U.S. General Accounting Office.
Foreign aid: questions on the Central American regional program need to be resolved; report to the Honorable Patrick Leahy, United States Senate. Sept. 1986. Washington, G.A.O., 1986. 43 p.
"GAO/NSIAD-86-209"
"This report discusses the evolution, status and viability of regional economic assistance programs for Central America administered by the Agency for International Development (AID)."

Providing effective economic assistance to El Salvador and Honduras: a formidable task; report by the Comptroller General of the United States. July 3, 1985. Washington, G.A.O., 1985. 73 p.
"GAO/NSIAD-85-82"
"Discusses U.S. economic assistance programs for the two countries and describes how assistance is being provided to overcome implementation problems and the difficulties experienced in influencing the two governments to undertake economic policy reforms."

Views on foreign assistance policy: comments by individuals and organizations concerning United States foreign assistance policy. Submitted to the Committee on Foreign Relations, United States Senate. Washington, G.P.O., 973. 345 p.
At head of title: 93rd Congress, 1st session. Committee print, J.W.

Wasserman, Gary.
The foreign aid dilemma. Washington quarterly, v. 6, winter 1983: 96-106.
Examines the tension between security interests and development assistance objectives in allocating foreign aid by reviewing aid policies during the Carter and Reagan Administrations. Analyzes the strengths and inadequacies of both security and development perspectives on foreign assistance programs, and suggests that both perspectives are needed.

Weissman, Steve.
The Trojan horse: a radical look at foreign aid. Palo Alto, Calif., Ramparts Press, [1975] 249 p.

What's gone right--and wrong-- with aid. U.S. news & world report, v. 101, Nov. 17, 1986: 40.
"AID Chief McPherson sizes up 25 years of helping other nations."

Why we must aid El Salvador. New guard, v. 21, summer 1981: 15-25, 27-29.
Contents.--Aiding El Salvador: a "moral imperative," by J. Kirkpatrick.--The El Salvador protest movement, by P. Flaherty.--Enrique Altamirano on the revolution in El Salvador [interview].

Woodard, Susan P.
U.S. foreign aid: evolution and expansion. Washington, Heritage Foundation, 1980. 23 p. (Backgrounder no. 119)
"By tracing the general trends and most significant details of U.S. economic policy toward these nations, the past security concerns become obvious and future policy needs and alternatives become recognizable."

Young, Frank J.
US foreign assistance strategy reconsidered. Fletcher forum, v. 3, summer 1979: 100-108.
The article presents "several commonly held perceptions about development and asserts that these can be qualified or changed. Five conclusions which have particular relevance for American foreign aid programs have been reached in this discussion."

B. INVESTMENT, TRADE, AND DEBT

Aliber, Robert Z.
The debt cycle in Latin America. Journal of inter-American studies and world affairs, v. 27, winter 1985-1986: 117-124.
"The first section of this paper will discuss (1) the impact these changes in volume of net external loans had on the exchange rate, and (b) the impact exerted by domestic economic variables on borrower economies during the 1972-82 decade. The second section will evaluate some of the different explanations that have been given regarding the cause of the debt crisis. The third section will explore ramifications of the adjustment process that took place as a result of this change from a net cash inflow to a net cash outflow on the debt account, and the impact these exerted on the borrowing countries."

The Baker Initiative: the perspective of the banks. World financial markets, Feb. 1986: 1-9.
Concludes that the "Baker Initiative has drawn strong endorsements from the heads of the Bank and the Fund. In addition, the principal commercial bank creditors now have agreed in principle to lend new money as needed on a case-by-case basis." Also concludes that the revenue agencies of the creditor countries' governments still follow policies that discourage the new lending sought from commercial banks, and that the governments of the debtor nations show little commitment to economic policy reform.

Balassa, Bela.
Trade between developed and developing countries: the decade ahead. OECD economic studies, no. 3, autumn 1984: 7-25.
"This paper aims to define the interests of the developed and developing countries in the liberalisation of their mutual trade. Possible approaches to harnessing these interests for promoting North-South trade in the decade ahead will also be analysed. The context for the discussion is the trade policies of developed and developing countries in the postwar period."

Baerresen, Donald W.
Latin American trade patterns. Westport, Conn., Greenwood Press, 1980, c1965. 329 p.

Bernstein, Marvin D.
Foreign investment in Latin America: cases and attitudes. New York, Knopf, [1966] 305 p. (Borzoi books on Latin America)

Bogdanowicz-Bindert, Christine A.
The debt crisis: the Baker Plan revisited. Journal of inter-American studies and world affairs, v. 28, fall 1986: 33-45.

Branson, William H.
Trade and structural interdependence between the U.S. and the NICs. Cambridge, Mass., National Bureau of Economic Research, 1984. 54 p. (Working paper no. 1282)
Compares the trade patterns of the U.S., Japan, and Europe with the newly industrializing countries, both Asian and Latin American. Finds that net exports to the NICs along provide half the U.S. surplus on chemicals and one-quarter on capital goods; the Asian NICs, mainly the Far Eastern ones supply three-quarters of the U.S. deficit on consumer goods. U.S. trade in manufactures has become increasingly interdependent with the three groups of NICs--Latin America, ASEAN (plus India), and Far Eastern. The patterns of interdependence are complicated, and will require increasing attention from U.S. foreign economic policy."

Bridges, Tyler.
Where did Venezuela's loan money go? Down the toilet. Washington monthly, v. 18, Dec. 1986: 21-22, 24-27.
Discusses how Venezuela, despite its oil revenues, accrued its large foreign debt. Argues that the Baker Plan for $29 billion in international lending to Latin American governments will not solve the debt problem for countries like Venezuela, because the private sector is as responsible for the debt problem as any government. Argues that the Bradley Plan is the most sensible way out of the debt crisis.

Brock, William E.
Trade and debt: the vital linkage. Foreign affairs, v. 62, summer 1984: 1037-1057.
U.S. Trade Representative discusses the importance of developing countries in international trade and the effects which their often restrictive trade policies have on their own economies and on the international trading system, reviews multilateral and bilateral aspects of a trade-oriented solution to the debt crisis and considers the role which a new round of multilateral trade negotiations could play in increasing the prosperity of developing countries.

Burbach, Roger.
Agribusiness in the Americas. New York, Monthly Review Press, North American Congress of Latin America, c1980. 314 p.

Canto, Victor A. Jones, Sidney L.
U.S. trade policy: history and evidence. Cato journal, v. 3, winter 1983-1984: 679-703.
"The historical account of the U.S. trade policy presented in this paper suggests that the rise of protectionist policies can be linked to the concern for the international competitiveness of U.S. products. The enthusiasm for restricting trade as a means to improve the domestic economy and protect selected industries, however, is tempered by the realization that trade restrictions can become counterproductive, impoverishing domestic and foreign producers and consumers alike."
Includes a comment by Sidney L. Jones.

Clark, Timothy B.
Tackling the debt crisis. National journal, v. 18, Aug. 9, 1986: 1932-1939.
"Mexico will provide a tough test of the Treasury Department's Third World debt initiative, which has not yet won the crucial support of commercial banks." Discusses both the Baker Plan and the Bradley Plan for Third World debt relief. Includes companion article interviewing Treasury Secretary James A. Baker, III.

Cline, William R.
Debt, macro policy and state intervention: the next phase for Latin America. Journal of inter-American studies and world affairs, v. 27, winter 1985-1986: 155-172.
Concludes that "as Latin America emerges from the debt crisis in the 1980s, significant new constraints seem likely to impose limits on the rising share of government in GDP. One constraint is that deficits of state enterprises are a luxury that can no longer be afforded. While not all, or even most, government enterprises have run deficits, there are important examples in Latin America where their deficits have been a major cause of debt accumulation."

Cohen, Benjamin J.
International debt and linkage strategies: some foreign-policy implications for the United States. International organization, v. 39, autumn 1985: 699-727.
"Examine the extent to which, if at all, the global debt problem has influenced the power of the U.S. government in foreign affairs, power being understood to imply leverage or control not only over resources and actors but also over the outcome of events. Has the global debt problem altered the ability of public officials in Washington to realize their foreign-policy preferences."

Cohen, Stephen D.
The political economy of US policy on LDC debt relief: executive-legislative relations, 1977-1980. World development, v. 10, no. 2, 1982: 147-160.
"After introducing the political economy of the debt relief issue in general terms of the North-South dialogue, the author traces the origins and the progress of an amendment intended to provide for Retroactive Terms Adjustment (RTA) as a part ofthe US aid package for the 'relatively least developed countries' (RLDCS). He studies the evolution of US policy in the Treasury and State Departments and in the various Congressional committees which are responsible for formulating the final legislation. The author analyses the bureaucratic and political/economic interactions which affected the outcome and concludes that no single paradigm appears relevant to the full range of US international economic policy-making."

Current U.S. trade policy: analysis, agenda, and administration. Robert E. Baldwin and J. David Richardson, editors. Cambridge, Mass. National Bureau of Economic Research, 1986. 128 p.
At head of title: NBER conference report.
Contents.--Trade talks: opportunities and pitfalls, by C. Michael Aho and Jonathan David Aronson.--Agenda for a new GATT round, by Lawrence B. Krause.--U.S. trade and the dollar: evaluating current policy options, by Rachel McCulloch and J. David Richardson.--Trade problems and policy from a U.S. labor perspective, by Lee Price.--U.S. trade policy: Congress sends a message, by Raymond J. Ahearn and Alfred Reifman.

Dealing with the debt problem of Latin America; proceedings of a conference on Tuesday, November 13, 1984 cosponsored by the Subcommittee on Economic Goals and Intergovernmental Policy of the Joint Economic Committee, Congress of the United States and the Congressional Research Service, Library of Congress. Washington, G.P.O., 1985. 114 p. (Print, Senate, 98th Congress, 2nd session, joint committee print S. Prt. 98-284)
Contents.--Opening remarks, by G. Gude.--International debt: outlook and issues, by W. Cline.--A large country, by S. Amaral.--The smaller countries, by C. Bindert.--Contrasting experience of Latin America and Korea, by L. Sjaastad.--A banker's view, by L. Brainard.--The U.S. Government's view, by C. DeFalco.

Debt and development in Latin America. Edited by Kwan S. Kim and David F. Ruccio. Notre Dame, Ind., University of Notre Dame Press, c1985. 226 p.

The Debt problem: acute and chronic aspects. Journal of development planning, no. 16, 1985: whole issue (258 p.)
Partial contents.--Debt: an overview, by C. Massad.--International debt: analysis, experience and prospects, by W. Cline.--The world debt problem: origins and prospects, by R. Dornbusch and S. Fischer.--The debt crisis: a longer perspective, by A. Fishlow.--Debts in early 1985: an institutional impasse, by D. Avramovic.--From the debt crisis to financial viability, by A. Ferrer.--Debt, trade and development: the crucial years ahead, by P. Malan.--Is the Latin debt crisis over? by P. Kuczynski.--International monetary indiscipline and the debt problem, by R. Prebisch.--External debt relief, by W. Robichek.--Adjustment or financing: which way out of the debt crisis? by A. Solomon.--International debt: a play in three acts, by R. de Vries.--The theory and practice of developing country debt: an informal guide for the perplexed, by L. Taylor.--Prospects for bank lending to developing countries in the remainder of the 1980s, by R. French-Davis and S. Molina.

Demetrius, F. Joseph. Tregurtha, Edward J. MacDonald, Scott B.
A brave new world: debt, default and democracy in Latin America. Journal of inter-American studies, v. 28, summer 1986: 17-38.
"The inability of adjustment programs to reduce external debts, the negative implications of capital outflows for economic growth, and the failure of creditors to countenance alternative debt repayment arrangements have pushed major Latin American debtors to contemplate default, or the threat of default."

Dornbusch, Rudiger.
On the consequences of muddling through the debt crisis. World economy, v. 7, June 1984: 145-161.
Argues four points. "First, the regulatory and macro-economic policies of the United States continue to aggravate the debt problem. Second, the commercial policies of the United States and American criticism of the trade policies of debtor countries are entirely inconsistent with a satisfactory solution to the debt problem. Third, IMF policies in some countries, notably Brazil, have been poor and have moved the country into deeper economic problems and further away from a medium-term ability to service debt under conditions of social and economic stability. Fourth, it is not in the national interest of the United States to seek the full payments of bank debt at any cost to its own trade and to economic and social stability in the debtor countries."

Edfelt, Ralph.
Telematics, public policy, and economic development with special reference to Brazilian protectionism. Information society, v. 4, no. 3, 1986: 187-203.

"This article discusses Brazil's somewhat protectionist international economic policy in the telematics sector and its potential impact on social and economic progress. It argues that excessive protectionism is retarding the development, diffusion, and application of information resources."

Enders, Thomas O.
Latin America: the crisis of debt and growth. Washington, Brookings Institution, c1984. 66 p. (Studies in international economics)

Eskridge, William N., Jr.
Les Jeuz Sont Faits: structural origins of the international debt problem. Virginia journal of international law, v. 25, winter 1985: 281-400.
Article examines the international debt crisis within three contexts; the short term, the long term, and within the context of development theory.
Partial contents.--External shocks, and mistakes made by debtor countries, banks, and regulators in responding to the shocks.--Excessive sovereign borrowing in response to the oil price shocks, 1973-1982.--Political, institutional, and economic structures contributing to the debt problem.--The politics of Latin American development and the ideology of growth.--The decline of the Bretton Woods system: the reemergence of uncontrolled private international lending.--Paradigms of development as explanations of the debt problem.

Essays in contemporary economic problems, 1986: the impact of the Reagan Program. Phillip Cagan, editor. Washington, American Enterprise Institute for Public Policy Research, 1986. 364 p. (AEI studies 443)
Partial contents.--The Reagan domestic budget cuts: proposals, outcomes, and effects, by John C. Weicher.--Government policy and the decline in U.S. trade competitiveness, by Sven W. Arndt.--The world economy: its performance and prospects, with emphasis on trade liberalization and protection, by Gottfried Haberler.

Export marketing: fitting the pieces together. Foreign agriculture, v. 22, May 1984: 4-14.
Contents.--Mexico: a market to watch.--Selling grains, oilseeds and livestock to Mexico, by J. Montel.--Scientific exchanges benefit U.S.-Mexican farm trade, by M. Salwin.--Marketing U.S. farm goods in Mexico's free zones, by J. Montel.

External debt and economic development in Latin America: background and prospects. Washington, Inter-American Development Bank, 1984. 218 p.

External debt in Latin America: adjustment policies and renegotiation. Economic Commission for Latin America and the Caribbean (ECLAC). Boulder, Colo., L. Rienner Publishers, 1985. 125 p.

Feldstein, Martin.
The international debt problem: from crisis to renewed growth. Challenge, v. 27, July-Aug. 1984: 27-30.
Believes that "we have made great progress in coping with the Latin American debt crisis. But U.S. policy should now shift from crisis management to promoting export-led and market-oriented growth."

Fishlow, Albert.
Latin America's debt: problem or solution. Columbia journal of world business, v. 17, spring 1982: 35-46.
The author addresses the central issues raised by the current level of Latin American indebtedness: how it came about; the burden of the debt, present and projected; different national experiences; and policy implications. In the last analysis the basic question is whether the debt that eased some of the difficulties of adjustment in the 1970s will become a major problem of the 1980s.

Flannery, Michael.
America's sweatshops in the Sun. American federationist, v. 85, May 1978: 16-20.
Reports on the low pay and poor working conditions at a Gulf and Western Industries-owned free zone at La Romana, Dominican Republic.

Fleet, Michael.
The politics of automobile industry development in Colombia. Journal of inter-American studies and world affairs, v. 24, May 1982: 211-239.
Discusses reasons why the Colombian government has been unable to enforce the fulfillment of contracts negotiated with transnational automotive firms.

Fontaine, Roger W.
The Andean pact: a political analysis. Beverly Hills [Calif.] Sage Publications [c1977] 72 p. (The Washington papers, New York, 45)
Contents.--Introduction.--Another Common Market scheme in Latin America?--The Andean Pact: strategy and structures.--The politics of economic integration.--The United States and the Andean community: public and private policy.--The Andean market: the final assessment.

Ford, Charles A. Morlock, Alejandro A. Violante.
Policy concerns over the impact of trade-related performance requirements and investment incentives on the international economy: Mexican automotive policy and U.S.-Mexican relations. Inter-American economic affairs, v. 36, autumn 1982: 3-42.
Review some of the major points of controversy that might arise between developing and developed countries over the use of trade-related performance requirements and investment incentives for the promotion of exports. "In order to provide a concrete focus, the concerns of U.S. policymakers with the trade-related performance requirements and incentives of Mexican automotive policy are examined with a view toward discovering possible ramifications for overall United States-Mexican trade relations."

Foreign debt and Latin American economic development. Edited by Antonio Jorge, Jorge Salazar-Car[r]illo, Rene P. Higonnet. New York, Pergamon Press, c1983. 183 p.

Freeman, John R.
The politics of indebted economic growth. Denver, Colo., Graduate School of International Studies, University of Denver, c1985. 87 p.

Frieden, Jeff.
Third World indebted industrialization: international finance and state capitalism in Mexico, Brazil, Algeria, and South Korea. International organization, v. 35, summer 1981: 407-431.
Examines the rise of bank debt-financed, government-led industrialization in the developing countries, analyzes the interplay of international finance, the state sector, and industrial growth in Mexico, Brazil, Algeria and South Korea and points out the implications of the process for developing countries and for the international capitalist system.

Garreau, Joel.
The nine nations of North America. American demographics, v. 4, Apr. 1982: 14-19, 38-39.
Taken from the author's book of the same title, article examines the ramifications of Canada, the U.S. and Mexico being divided into nine nations based on regional similarities.

Gilbert, Jorge.
Foreign debt or foreign cancer? Two thirds: a journal of underdeveloped studies, v. 6, no. 1, 1985: 19-31.
Discusses the Latin American debt crises and its origins. Argues in favor of the Latin American debtor countries negotiating with the IMF as a single unit.

Glynn, Lenny.
Is the Latin debt crisis over? Don't kid yourself. Institutional investor, v. 19, May 1985: 77-80.
"The region may be paying its bills, but reports about the end of the debt crisis are greatly exaggerated."

Gomez, Maria. Kayser, Frederic G.
The Caribbean Common Market: implications for U.S. business. Washington, U.S. International Trade Administration for sale by the Supt. of Docs., G.P.O., 1981. 15 p. (International marketing information series Overseas business reports, OBR 81-25)
"Supersedes OBR 75-24"
Discuss features of Caribbean Community (CARICOM) and the Caribbean Common Market (CCM) integration agreements, survey foreign trade mechanics of the groups, examine the investment climate in the area and highlight the economic conditions of the member nations.

Grayson, George W.
The Maple Leaf, the Cactus, and the Eagle: energy trilateralism. Inter-American economic affairs, v. 34, spring 1981: 49-75.
Discusses the formation of an energy common market among Canada, Mexico and the U.S. Presents the political problems with energy continentalism (or an energy common market) and suggests possible policies which the U.S. should consider for a long-term solution.

Grosse, Robert E.
Foreign investment codes and the location of direct investment. New York, Praeger, 1980. 158 p.

Grunwald, Joseph.
Restructuring industry offshore: the U.S.-Mexico connection. Brookings review, v. 1, spring 1983: 24-27.
Uses Mexico as an example to describe the nature of "offshore" assembly operations of U.S. firms. Finds that despite the questioning of the benefits of shared production, the offshore assembly trade keeps growing.

Hannon, Esther Wilson. Hudgins, Edward L.
A U.S. strategy for Latin America's debts. Washington, Heritage Foundation, 1986. 12 p. (Backgrounder no. 502)
"If the Reagan Administration, the World Bank, and the IMF work with Latin American leaders to promote the implement market policies, the debt problem could be solved once and for all."

Hard bargaining ahead: U.S. trade policy and developing countries. Ernest H. Preeg, editor. New Brunswick, N.J., Transaction Books, 1985. 214 p.
Partial contents.--Overview: an agenda for U.S. trade policy toward developing countries, by E. Preeg.--Statement: U.S. trade policy toward developing countries, by W. Brock.--Developing-country trade policies and the international economic system, by A. Krueger and C. Michalopouls.--The NICs in a new trade round, by H. Nau.--U.S. labor-market adjustment and import restrictions, by C. Aho.--Commodity trade, by J. Cuddy.--Special measures for the least developed and other low-income countries, by A. Adedeji.--Selective trade liberalization and restriction, by S. Weintraub.

Hector, Gary.
Third World debt: the bomb is defused. Fortune, v. 111, Feb. 18, 1985: 36-38, 42, 46-48, 50.
"Bankers no longer spend sleepless nights fretting about the risks of Latin American loans. The big debtor countries still face a tough slog, but they are quickly regaining strength. Last year's defiant posturing toward lenders has died away."

Henry, James S.
Where the money went: Third World debt hoax. New republic, v. 194, Apr. 14, 1986: 20-23.
Argues that "capital flight and international debt--are part of the same story. In some cases, the wealthiest classes of poor countries have actually sent more money out of their countries than foreign borrowing has brought in--and often it's the same money. American banks have promoted, and profited from, both sides of the transaction."

Horton, Scott.
Peru and ANCOM: a study in the disintegration of a common market. Texas international law journal, v. 17, winter 1982: 39-61.
Article examines "the theory of the common market and its problems in the Andean context, the formulation of foreign investment policy within ANCOM and the struggle over its enforcement, ANCOM's attempt to surmount these difficulties through the construction of a juridical institution, and more broadly the legal institutions present in ANCOM for the resolution of the current greatly disparate policies that divide the member states."

Hudgins, Edward L.
A U.S. strategy to solve Mexico's debt crisis. Washington, Heritage Foundation, 1986. 10 p. (Backgrounder no. 520)
"A sound U.S. strategy for the Mexican debt crisis should be rooted in the Baker Plan. It could encourage, for example, a technique for reducing state holdings in the economy: foreign or Mexican private businesses purchase Mexican debt from banks and forgive the debt in exchange for Mexican government-owned equity in Mexican businesses. The Administration also

could encourage Mexico to accelerate market-oriented reforms and structural economic adjustment." Contains five recommendations for the Reagan Administration to help solve Mexico's debt problem.

Hudson, Rexford A.
The Brazilian way to technological independence: foreign joint ventures and the aircraft industry. Inter-American economic affairs, v. 37, autumn 1983: 23-43.
The semi-public Brazilian Aeronautical Company, known as Embraer, has "adopted a policy of establishing joint ventures with foreign firms as the principal means for acquiring technology and developing support manufacturers for an integrated aircraft industry."

Hughes, Barry B.
The first two oil shocks: policy response and effectiveness. Policy studies review, v. 5, May 1986: 722-741.
Analyzes global impacts of the 1973-74 and 1979-81 oil shocks and discusses policies which were instituted in the U.S. and other countries as a result. Finds the effects of the past decade are still being felt, particularly in the areas of global unemployment, global deficit spending, third world (especially Latin American) inflation, and third world debt.

Hurrell, Andrew.
Brazil, the United States and the debt. World today, v. 41, Mar. 1985: 62-64.
"It has been widely assumed that the combination of the debt crisis, economic and political uncertainty inside Brazil and an assertive American Administration has resulted in significant changes in Brazil's international position over the past four years. There is also much speculation that the new Brazilian President may choose to adopt a more nationalist approach to foreign policy. It is these two questions that will be examined in this article."

The International debt crisis. Journal of international law and politics, v. 17, spring 1985: 485-650.
Contents.--Foreword, by A. Lowenfeld.--The role of the U.S. courts in the transnational flow of funds, by J. Hoffman, Jr. and R. Deming.--Allied Bank International: a United States government perspective, by R. Tigert.--The debt crisis: the case of the small and medium size debtors, by C. Bogdanowicz-Bindert.--Managed lending: an assessment of the current strategy toward LDC debt, by N. Sargen.--Legal implications of interest rate caps on loans to sovereign borrowers, by J. Hurlock.--Coordination of Paris and London Club reschedulings, by K. Hudes.--Is an IMF stand-by arrangement a "seal of approval" on which other creditors can rely?, by R. Edwards, Jr.--Crisis as an opportunity for change: a commentary on the debt restructuring process, by C. Meissner.--The debt crisis from the point of view of a debtor country, by S. Amaral.

Investment climate in foreign countries: volume IV: Western Hemisphere (excluding Canada). Washington U.S. International Trade Administration, available from NTIS, 1985. 328 p.
"PB86-100104"
"This volume contains the investment climate statements of 37 Western Hemisphere countries (Canada is included in Volume I: OECD and Other European Countries). Each statement, after an economic overview, describes the government policy toward foreign direct investment, specifically, official screening and approval procedures; investment incentives and performance requirements; current investment disputes; profit repatriation restrictions; bilateral investment agreements; foreign trade zones; labor availability; and anticipated changes in investment policy."

Johnson, Leland L.
The course of U.S. private investment in Latin America since the rise of Castro. Santa Monica, Calif., Rand Corp., 1964. 38 p. (Research memorandum RM-4091-ISA)
At head of title: ARPA order no. 189-61.
Prepared for the Office of the Assistant Secretary of Defense/ International Security Affairs under ARPA contract SD-79.

Jova, Joseph J. Smith, Clint E. Crigler, T. Frank.
Private investment in Latin America: renegotiating the bargain. Texas international law journal, v. 19, no. 1 winter 1984: 3-32.
Article discusses the historic function of outside investment in Latin America's development, the legislative measures that have been devised over

the years, singly and in concert, to try to ensure national control over the development process and the dilemma posed for the U.S. in seeking both to respond to Latin American expectations and to protect its own investors from discriminatory treatment or uncompensated expropriation.

Kaufman, Robert R.
Democratic and authoritarian responses to the debt issue: Argentina, Brazil, Mexico. International organization, v. 39, summer 1985: 473-503.
Explores "the way in which systems of electoral democracy and authoritarianism have shaped responses to this dilemma in Argentina, Brazil, and Mexico (the ABM countries)--the three largest debtor societies in the world. Governments in all three countries have, for reasons already suggested, attempted to project an image of responsibility in their dealings with creditors. But there have also been distinct national differences in willingness to pay the stabilization price."

Kuczynski, Pedro-Pablo.
Latin American debt: act two. Foreign affairs, v. 62, fall 1983: 17-38.
Examines why the Latin American debt problem is so serious, assesses requirements for action and suggests additional measures to meet the problem.

Langhammer, Rolf J.
EEC trade policies and Latin American export performance. Intereconomics, no. 5, Sept.-Oct. 1980: 246-251.
"Since the beginning of the seventies Latin American exporters have been losing ground to their Asian competitors on the EEC as well as on the world market. While Latin American authorities tend to put the blame on external factors, and among them not least on the allegedly protectionist and discriminating EEC trade policy, Dr. Langhammer shows that internal, 'home-made' policy shortcomings have hampered Latin American exports at least to the same extent."

Langoni, Carlos Geraldo.
Country debt problems: the Brazilian case. Cato journal, v. 4, spring-summer 1984: 343-353.
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enterprises: hopes and realities, by James E. Austin, Lawrence H. Wortzel, and John F. Colburn.--An examination of the Latin American debt crisis, by Clark A. Hawkins, and Judy E. Maese.--LDC debt: the secondary market, the banks, and new investments in the developing countries, by Jay H. Newman.--The debt crisis: a new era for decision makers, by Joseph Ganitsky.--Latin crisis and IMF intervention, by Victor A. Canto.

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A look at Reagan's revolution in development policy. Challenge, v. 26, Sept.-Oct. 1983: 34-43.
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Report to the President. Washington, The Task Force, 1984. 18, 172 p.

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Task Force recommendations: elevate international economic policy to a high level comparable to national security; establish an Economic Security Council; expand opportunities for private enterprise; reorient U.S. foreign aid programs; press for increased trade flows; constructively use U.S. agricultural abundance.

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Sauvant, Karl P.
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Oil prices: collapse and consequences. Washington, Congressional Quarterly, 1986. 247-264 p. (Editorial research reports, 1986, v. 1, no. 13)
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Contents.--The international debate on nationalization.--The development of economic nationalism in Latin America.--Nationalization and the Mexican model of development.--Cuba--Nationalization with Soviet support.--Chile and nationalization: four approaches to foreign investment.--Peru--the limits of nationalization as a weapon against dependence.--Venezuela--a new pattern of nationalization?--Nationalization and its alternatives: the Latin American experience.--Nationalization, foreign investment, and United States policy.

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Notes that the real focus of Latin American debt is Mexico, Brazil, Argentina, and Chile. "Together they account for 36 percent of total Third World debt and 45 percent of bank debt. An illustration of their importance is the recent estimate of William R. Cline that, if they failed to pay interest on their debts for a single year, the capital of the nine largest U.S. banks would be cut by one third, thus raising the cost of credit and exacerbating unemployment in the United States itself." The article examines "the composition of their debt in comparison with other Latin American and Third World countries and the ways in which they got into their current predicament. It will also look at the solution being proposed and their likely effects. Finally, some policy recommendations will be suggested."

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C. CARIBBEAN BASIN INITIATIVE

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representing various points of view and different areas of expertise, . . . evaluate the president's new policy."

Contents.--Misplaced emphasis, by A. Lowenthal.--A positive departure, by P. Johnson.--Puerto Rico: Partner or victim? by R. Hernandez-Colon.--Puerto Rico will benefit, by B. Corrada.--A flawed model, by S. Weintraub.--A bilateralist gamble, by R. Feinberg and R. Newfarmer.

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"The CBI Caribbean Basin Initiative, though no panacea, offers a rare opportunity to grasp the problems of the region more effectively, provided that we also replace a penchant for bilateralism with a commitment to a broader regional approach; balance our interest in promoting a private sector with our understanding of the need for a vigorous public sector; and shift the focus of our investments toward labor-intensive industries, toward agriculture, toward an integrated industrial strategy rather than just assembly plants. We should also shift away from an exclusive preoccupation with anti-communism, confrontation and threats which help our enemies and alienate our friends, and begin to pursue the full range of U.S. humanitarian and economic interests."

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IV. RESOLVED: THAT THE UNITED STATES GOVERNMENT SHOULD ADOPT A POLICY TO INCREASE ITS NON-MILITARY ASSISTANCE

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Some observations on liberation theology. World affairs, v. 148, winter 1985-86: 151-158.
"The growth of liberation theology has been great in Latin America. Using mainly the writings of Gutierrez and Assman, the proponents of liberation

theology have been able to influence large sectors of Catholic thought, including the ideas of bishops and cardinals . . . . One cannot abuse Scripture and theology in order to confer absolute and sacred value to a theory in the socio-political order", argues the author, United States Ambassador to Guatemala.

Politics and social change in Latin America: the distinct tradition. Amherst, Mass., University of Massachusetts Press, 1982. 368 p.

Political parties of the Americas: Canada, Latin America, and the West Indies. Edited by Robert J. Alexander. Westport, Conn., Greenwood Press, 1982. 2 v. (864 p.)

The Politics of agrarian change in Asia and Latin America. Edited by Howard Handelman. Bloomington, Indiana University Press, c1981. 136 p.

Pomerleau, Claude.
The changing church in Mexico and its challenge to the state. Review of politics, v. 43, Oct. 1981: 540-559.
"The direction of renewal in the Mexican Catholic church has been in the line of systematic theological reflection on the social and political involvement of Christians in attending to the poor, to the jobless, and to the Indians who have never been integrated economically or socially into national policies."

Ptacek, Kerry.
Nicaragua: a revolution against the Church? [Washington] Institute on Religion and Democracy, 1981. 18 p.
"The conflict between the Sandinists and the Catholic Church has moved from simple limitation on Church activities--the familiar strategy of traditional despotism--to state intervention in basic matters of Church affairs--the more far-reaching, destructive intrusion that is a characteristic of totalitarianism . . . . Today many Nicaraguan Church leaders believe that the fate of Nicaragua has slipped out of the hands of Nicaragua's Sandinists, with their priestly revolutionaries, and into the hands of foreign powers."

Rabkin, Rhoda.
A conservative case for land reform. National review, v. 37, July 12, 1985: 36-40.
"The Salvadoran program has performed well in comparison to other major land reforms, and perhaps very well in view of the destruction caused by guerrilla attacks on the economy."

Riding, Alan.
Revolution and the intellectual in Latin America. New York times magazine, Mar. 13, 1983: 28-33, 38, 40.
"In a region marked by unrest, the political influence of intellectuals has grown enormously."

Rouquie, Alain.
The military and the state in Latin America. Berkeley, University of California Press, c1987.

Rubenstein, Richard L.
The political significance of Latin American liberation theology. World affairs, v. 148, winter 1985-86: 159-167.
"Latin American liberation theology has a practical political objective, the revolutionary transformation of Latin American society, by force if necessary . . . . Liberation theology is profoundly anti-American and deeply hostile to the bourgeois capitalist world. It manifests no comparable hostility to the communist world."

Ruhl, J. Mark.
Social mobilization, military tradition and current patterns of civil-military relations in Latin America: testing Putnam's major conclusions. Western political quarterly, v. 35, Dec. 1982: 574-586.
The article tests Putnam's major conclusions regarding the causes of Latin American military intervention in domestic politics.

Sanders, Thomas G.
Brazil's labor unions. Hanover, N.H. American Universities Field Staff, 1981. 11 p. (Fieldstaff reports, 1981/no. 48 South America)
"The redemocratization that began in Brazil in 1974 has included a resurgence of activity by organized labor. The current economic crisis has led to new attempts by the government to control unions."

Veliz, Claudio.
The centralist tradition of Latin America. Princeton, N.J., Princeton University Press, c1980. 355 p.

C. STRUGGLE FOR DEMOCRACY AND STABILITY

Alfonsin, Raul.
The transition to democracy in the Third World. Third World quarterly, v. 8, Jan. 1986: 39-50.
In this August 1985 speech delivered by the President of Argentina to the Buenos Aires conference of the same name as the article, the democratization of Argentina is outlined, the challenge of achieving participatory democracy is stated and the exhortation to work for democracy "because it is necessary" is delivered.

Allman, T. D.
Rising to rebellion. Harper's magazine, v. 262, Mar. 1981: 31-35, 38-47, 50.
After returning from an assignment in Central America, the author surveys the unstable political situation, terrorism and repression in El Salvador and Honduras and considers the American response.

Ameringer, Charles D.
The tradition of democracy in the Caribbean: Betancourt, Figueres, Munoz and the Democratic Left. Caribbean review, v. 11, spring 1982: 28-31, 55-56.
"The unique leadership of Betancourt, Figueres, and Munoz has established a tradition of democracy in the Caribbean. They created working democracies in Venezuela, Costa Rica, and Puerto Rico and contributed to democratic progress in the Dominican Republic and Honduras. Their achievement provides hope for the future and a nexus for the formulation of U.S. policy."

Andersen, Martin.
Dateline Argentina: hello, democracy. Foreign policy, no. 55, summer 1984: 154-172.
"While the opportunity for establishing stable constitutional government in Argentina has never been greater, the problems facing the new administration, . . . have never been more severe. The role of international financial institutions and the policies of the United States are seen in Argentina as crucial to that country's struggle for economic recovery and political health."

Anderson, Thomas P.
Honduras in transition. Current history, v. 84, Mar. 1985: 114-117, 132.
"Honduran democracy limps on, overshadowed by the military and burdened with a catastrophic economic situation."

Alexander, Robert J.
Bolivia's democratic experiment. Current history, v. 84, Feb. 1985: 73-76, 86, 87.
"The inauguration of President Hernan Siles in October, 1982, was certainly an advance for democracy in Bolivia, but it is by no means clear that democratic government has been definitively established . . . . Any regime, democratic or otherwise, will face problems bordering on the insoluble. These include the full incorporation of the Indians into the economy, society and polity of the country; the full development of the nation's agricultural and mineral resources; and the expansion of manufacturing to serve the needs of the national economy."

Araujo, Richard.
Backing Honduras: taking a stand for democracy. Washington, Heritage Foundation, 1983. 10 p. (Backgrounder no. 264)
Recommends that the U.S. increase economic and military assistance to Honduras, in light of economic and political pressures on Honduras and regional instability resulting from Nicaraguan, Soviet and Cuban support for insurgency and terrorism in Central America.

Ashby, Timothy.
Ecuador as a model for Latin American development. Heritage Foundation, 1986. 11 p. (Backgrounder no. 479)
"Despite its small size, Ecuador can play an important role in Reagan's strategy for Latin America. Febres Cordero's advocacy of free market forces as the best means of achieving economic and social well-being parallels Reagan's political philosophy more closely than that of any other Latin American head of state."

Atlin, J. Nef, J.
Peru's "shining path". International perspectives, May-June 1985: 25-28.
"It is unlikely that Sendero Luminoso will gain enough popular support to topple the government, it is equally unlikely that the government will be successful in the short-term in its campaign to wipe out the guerrilla movement."

Authoritarians and democrats: regime transition in Latin America. Edited by James M. Malloy and Mitchell A. Seligson. Pittsburgh, University of Pittsburgh Press, 1987.

Barrett, Jeffrey M.
Impulse to revolution in Latin America. New York, Praeger, 1985.
This work should be available in 1987.

Beam, John M.
Chile: waiting for the fall. Progressive, v. 50, Apr. 1986: 23-27.
"An American revisits Chile twelve years later and finds a different country. Resistance to the rule of Augusto Pinochet is palpable, but when the regime will fall remains anybody's guess. A diary of dissent."

Bell, Peter D.
Democracy and double standards: the view from Chile. World policy journal, v. 2, fall 1985: 711-730.
"Twelve years after the bloody coup that resulted in the overthrow of the Popular Unity government and the death of Salvador Allende Gossens, Chilean President Augusto Pinochet Ugarte still clings to power. Despite growing opposition, he shows no willingness to permit a democratic opening. The longer the United States supports Pinochet, the longer before his regime falls, and the more dangerous the aftermath will be--both for Chile and for U.S. interests in South America."

Blaisier, Cole.
The hovering giant: U.S. responses to revolutionary change in Latin America. Pittsburgh, Pa., University of Pittsburgh Press, 1985. 339 p.

Boeninger, Edgardo.
The Chilean road to democracy. Foreign affairs, v. 64, spring 1986: 812-832.
"Political change in Chile will be brought about only insofar as the domestic conditions that will make it possible are present. Recent developments in Chile, especially the conclusion of the 'National Accord on Transition to Full Democracy' last August, represent an important strengthening of democratic forces. They confront daunting obstacles, however, not least of which is Pinochet's determination to maintain power."

Brock, David.
Risky business: restoring a tradition of democracy. Insight (Washington times), v. 2, Apr. 14, 1986: 28-31.
"The risks are great. It is uncertain whether Chile can return to its 150-year history of democracy without falling prey to a strong communist party."

Calderon, Ricardo Arias.
Political systems as export commodities: democracy and the role of the US in Central America. Caribbean review, v. 15, winter 1986: 21-23, 37.
The author, president of Panama's Christian Democratic Party, calls for the U.S. to more actively promote human rights in Central America and to link them more directly with democratization, "the process of political development which establishes a system of representative democracy where it does not exist."

Calvert, Peter.
Demilitarisation in Latin America. Third World quarterly, v. 7, Jan. 1985: 31-43.
Examines the history of military intervention in politics in Latin America, stating that "the tradition is that the military, however frequently they intervene, do so only to put right temporary difficulties. This done, they then retire to the barracks . . . it is precisely for this reason that the recent period of military governments with more durable pretensions has had to be recognised as a new phenomenon."

Can the U.S. live with Latin revolution? Harper's magazine, v. 268, June 1984: 35-39, 42-48.
Edited remarks based on a discussion held in Washington and moderated by Abraham Lowenthal. Discusses the following questions "Can the United States live with revolutionary regimes in Latin America? If so, under what conditions? How will U.S. policies in Nicaragua and El Salvador affect our relations with the other countries in the region? Should those policies be changed?"

Carpenter, Ted Galen.
The United States and Third World dictatorships: a case for benign detachment. [Washington] CATO Institute, 1985. 24 p. (Policy analysis no. 58)
"Carpenter warns that 'it is debilitating for a society that honors democracy and fundamental human rights to embrace regimes that scorn both values.' We must no longer let our values of capitalism and democracy be associated with repressive regimes that are proclaimed 'friends' of the United States."

Chace, James.
In search of a Central American policy. New York times magazine, Nov. 25, 1984: 48-51, 60, 62, 64, 66, 70.
"The only way to reduce tension in the region, the author argues, is through demilitarization and encouragement of democracy."

The Challenge to democracy in Central America. Washington, Dept. of State, 1986. 78 p.
Partial contents.--Soviet expansionism in Central America.--Cuba: the Soviet proxy in the Caribbean.--Nicaragua: Marxism and militarism.--The democratic resistance fighters: who they are and why they fight.--El Salvador: democracy under siege.--Guatemala, Honduras, and Costa Rica: democracy regained and maintained.--The future.

Chavkin, Samuel.
Uruguay under civilian rule: the rough road back to democracy. Nation, v. 242, Feb. 22, 1986: 199-202.
Describes the transition in Uruguay from dictatorship to democracy. "The people's chief concern now lies in preventing the military's comeback while the country struggles to overcome the economic chaos and social disarray it left behind."

Comparing new democracies: transition and consolidation in Mediterranean Europe and the southern cone. Edited by Enrique A. Baloyra. Boulder, Westview Press, 1987.

Constable, Pamela.
From dictatorship to democracy. Boston globe magazine, July 14, 1985: 10, 18, 21, 24, 26-28, 31-32.
"Much of South America is returning to its dominant tradition of democratic rule--with deep skepticism of military solutions and an appreciation of political compromise. But how meaningful is this trend?"

Daskal, Steven E.
The insurgency threat and ways to defeat it. Military review, v. 66, Jan. 1986: 28-41.
"Although the threat of nuclear war has concerned many people since the end of World War II, it has been the low-intensity, insurgent war dominating the world scene. Some counterinsurgency operations have been successful, while others have not. What factors should be considered when making decisions on assistance to threatened countries?"

David, Steven R.
Coup and anti-coup. Washington quarterly, v. 5, autumn 1982: 189-201.

"Protecting allied Third World regimes against the ever growing threat of coups d'etat is a role for which the United States should be adequately prepared."

Dealy, Glen C.
The pluralistic Latins. Foreign policy, no. 57, winter 1984-85: 108-127.
"Currently the United States is working to build democracy in Central America on a genuinely pluralistic approach . . . . Latin Americans have a democratic tradition but not a pluralistic one . . . . Human rights and elections, cornerstones of pluralistic government, take on new light when viewed within this context . . . . In Central America . . . laissez faire regimes have neither precedent nor utility. Governments either rule in the name of the whole or are eventually overthrown."

Debrary, Regis.
Revolution in the revolution?: Armed struggle and political struggle in Latin America. Westport, Conn., Greenwood Press, 1980, c1967. 126 p.

Democracy and dictatorship in Latin America. Edited by Thomas Draper. New York, H. W. Wilson Co., 1981. 230 p. (Reference shelf, v. 53, no. 3)
Contents.--Latin American profile.--Military rule, partisan warfare, and outside interests.--In search of democracy: human rights and U.S. security.

Democracy and dictatorship in Latin America: a special publication devoted entirely to the voices and opinions of writers from Latin America. New York, (521 5th Ave., New York 10017), N.Y., Foundation for the Independent Study of Social Ideas, c1982. 88 p.

Democratization in Brazil. Center magazine, v. 19, Jan.-Feb. 1986: 40-45.
"A dialogue at the Center with members of the Brazilian Senate and others. The Senators' visit was sponsored by the United States Information Agency."

De S C Barros, Alexandre.
Back to barracks: an option for the Brazilian military? Third World quarterly, v. 7, Jan. 1985: 63-77.
Stressing the pervasive sense of uncertainty regarding the future of Brazil's political system, the author highlights the key problems and questions.

Destabilization and intervention in the Caribbean. Latin American perspectives, v. 11, summer 1984: whole issue (3-184 p.)
Partial contents.--Destabilization and intervention in Latin America and the Caribbean, by J. Dietz.--The IMF and class struggle in Jamaica, 1977-1980, by R. Bernal.--Destabilization and socialist orientation in the English-speaking Caribbean, by P. Mars.--Caribbean dependency and its alternatives, by J. Mandle.--A review of Caribbean political economy, by D. Wong.

Dilemmas of democracy. Journal of international affairs, v. 38, winter 1985: whole issue (151-347 p.)
Partial contents.--The philosophy of democracy, by L. Lipson.--Brazil and Argentina in the 1980s, by S. Mainwaring and E. Viola.--Dilemmas of political transition in El Salvador, by E. Baloyra.--Democracy in the Philippines, by C. Hernandez.--Israeli democracy 1984, by A. Arian.--The breakdown of democracy in Lebanon, by M. Hudson.

Douglas, William A.
Helping democracy abroad: a U.S. program. Freedom at issue, no. 68, Sept.-Oct. 1982: 15-19.
Advocates that the U.S. develop a program for aiding democratic political movements abroad. Examines how such a program would address political problems in Honduras.

Enders, Thomas O.
Revolution, reform, and reconciliation in Central America. SAIS review, v. 3, summer-fall 1983: 1-10.
The former Assistant Secretary of State for Inter-American Affairs concentrates his discussion on Nicaragua and El Salvador. Concludes that "the parallels between Nicaragua and El Salvador are thus underscored in the solution open to both: Internal reconciliation will stop the bloodshed in each, just as application of the other San Jose principles will contribute significantly to an enduring peace throughout Central America.

Because the futures of all Central American countries are so inextricably linked, no one can feel secure until the proposed solutions are taken up by all."

Falcoff, Mark.
Regional diplomatic options in Central America. AEI foreign policy and defense review, v. 5, no. 1, 1984: 54-61.
"Any diplomatic solution to the problems in Central America must satisfy three criteria: (1) it must be workable--and for more than a few weeks; (2) it must be acceptable to the countries whose fates are therein decided; and (3) it must accord with our own national values of pluralism, democracy, and self-determination."

Fleischer, David V.
Constitutional and electoral engineering in Brazil: a double-edged sword, 1964-1982. Inter-American economic affairs, v. 37, spring 1984: 3-36.
"Although the manipulation of Constitutional norms and electoral laws in Brazil has been more intense in the post-1964 period of military governments, the country has had a long history of political 'engineering' by elites seeking political advantage and their maintenance in power . . . . This analysis seeks to describe the manipulations and assess the impact of their consequences on the evolution of the Brazilian political system."

Foreign policy, domestic strife. Los Angeles times, Mar. 23, 1986: 1, 3.
Three articles assess Reagan's message on "democratic revolution."
Contents.--The President's message rejects ideology as a test, by William Schneider.--The White House sends the wrong signal to the Hill, by Richard Straus.--Has Reagan's 'despot' policy really shifted, by Jeane Kirkpatrick.

Fox, Elizabeth. Meisler, Stanley.
The weight of the past. Atlantic monthly, v. 253, Jan. 1984: 12-14, 16.
Examines the historical origins of the economic, social, and political problems Argentina's new civilian president must address.

Gelb, Leslie.
U.S. vows to resist despots of right as well as left: major shift in emphasis; new policy, unlike Kirkpatrick doctrine, would not favor non-Marxist dictators. New York times, Mar. 14, 1986: A1, A7.
The statement by the Reagan Administration that it "will oppose dictatorships of the anti-Communist right as well as the pro-Soviet left, . . . differs in emphasis from the one enunciated by Jeane J. Krikpatrick . . . . That policy held that 'traditional authoritarian' regimes were 'less repressive,' more susceptible to change and better for American interests than Marxist-style rulers."

Goertzel, Ted G.
Costa Rica: democracy and antimilitarism. Dissent, v. 31, summer 1984: 333-337.

Kampelman, Max M.
The democratic challenge in Latin America. Freedom at issue, no. 81, Nov.-Dec. 1984: 12-15.
"Sometimes military solutions are the only solutions that are possible in the face of military aggression and armed terrorism . . . . We do not consider that it is moral to leave small countries and helpless people defenseless against conquest by terrorists," argues the author.

Keene, Beverly.
Argentine democracy: the issue is in doubt. Christianity and crisis, v. 45, Dec. 23, 1985: 516-521.
"Argentina returned to civilian rule in December, 1983 . . . . Dr. Raul Alfonsin, was elected with 52 percent of the popular vote in elections registering the highest voter turnout ever . . . . The Alfonsin government has made great headway in reinstating basic civil liberties and restoring Argentina to democratic rule . . . . But the return to democracy is not simply a matter of elections and institutions. It is rather a delicate transition whose outcome remains in doubt--particularly in a country like Argentina where the military has a long history of disrupting constitutional rule."

Kenworthy, Eldon.
The U.S. and Latin America: empire vs. social change. Democracy, v. 1, July 1981: 86-97.
"By any objective criteria, the three most stable regimes in the Central American-Caribbean area today are the Mexican, Cuban, and Costa Rican. In all, the precondition for stability was revolution, including the destruction of the old military establishment. The regimes the Reaganites support in Central America do not meet this precondition," concludes the author.

Kinzer, Stephen.
Walking the tightrope in Guatemala. New York times, Nov. 9, 1986: 32, 34, 37, 40, 42.
"Vinicio Cerezo is one of several Latin American leaders deeply committed to social justice and civilian rule who find themselves restricted at every turn by the entrenched power of the military and their civilian supporters."

Kirkpatrick, Jeane.
Dictatorships and double standards. Commentary, v. 68, Nov. 1979: 34-45.
"No problem of American foreign policy is more urgent than that of formulating a morally and strategically acceptable, and politically realistic, program for dealing with non-democratic governments who are threatened by Soviet-sponsored subversion."

Klare, Michael T.
Supplying repression: U.S. support for authoritarian regimes abroad. [Washington, Institute for Policy Studies, 1977] 56 p.
Argues that "the United States, its government and its arms industry, is deeply involved in the delivery of repressive technology and techniques to foreign governments, including some of the world's most notorious dictatorships."

Laguerre, Michel S.
The Haitian political crisis. America, v. 155, Dec. 27, 1986: 416-420.
"The policies and practices of the Duvalier regime caused a restructuring of the political forces in Haiti that are likely to influence the future economic and political orientation of the country."

Latin American insurgencies. Edited by Georges Fauriol. Washington, National Defense University Press, for sale by the Supt. of Docs., G.P.O., 1985. 214 p.
Contents.--Insurgencies and the Latin American environment, by G. Fauriol. --Overview of Latin American insurgencies, by A. Hoehn and C. Weiss.--The international terrorist network, by Y. Alexander and R. Kucinski.--The Sendero Luminoso rebellion in rural Peru, by D. Palmer.--The highlands war in Guatemala, by C. Sereseres.--US policies toward insurgencies in Latin America, by J. Child.--The future of Latin American insurgencies, by W. Ratliff.

Leacock, Ruth.
"Promoting democracy": the United States and Brazil, 1964-68. Prologue, v. 13, summer 1981: 76-99.
"The American experience in Brazil during the Johnson administration provides a case history of how the United States might help a repressive authoritarian regime become entrenched while laboring to avert that result. . . . In 1964 conditions appeared optimum for positive U.S. influence and the successful transference of American-style institutions to Brazil."

Lernoux, Penny.
Fear and hope: toward political democracy in Central America. New York, Field Foundation, 1984. 47 p.

The Kirkpatrick doctrine for Latin America. Nation, v. 232, Mar. 28, 1981: 361-364.
"While there may have been much to criticize in Carter's human-rights policies, the former Georgetown professor fails to detect the sophisticated direction behind them," maintains the author.

Lynch, Edward A.
Is Peru next? Washington, Heritage Foundation, 1983. 11 p. (Backgrounder no. 314)
"Is Peru's young democracy the next victim of Cuban and Soviet backed subversion? . . . The attacks on Peru's democracy have been mounted by a

guerrilla group which calls itself Shining Path (Sendero Luminoso) . . . . Peru's geographic location and its abundant food and mineral resources make its national security vital to the U.S. Because Peru borders five other South American countries, it could serve as a springboard into the north and southwestern regions of the continent."

Madison, Christopher.
Guatemala's new path. National journal, v. 18, Mar. 15, 1986: 624-631.
"The United States supports Guatemala's democratically elected president as he grapples with domestic problems. But his stance on Nicaragua is a sore point."

Mainwaring, Scott.
The transition to democracy in Brazil. Journal of inter-American studies and world affairs, v. 28, spring 1986: 149-179.
"This article analyzes the transition to democracy in Brazil. Starting from the viewpoint that political liberalization was initially a choice made by the military regime in 1974, the analysis examines why the regime undertook that path and then traces the main characteristics of the transition during two periods: (1) March 1974-October 1983, and (2) October 1983-January 1985."

Markoff, John. Baretta, Silvio R. Duncan.
What we don't know about the coups: observations on recent South American politics. Armed Forces & society, v. 12, winter 1986: 207-235.
A survey of the research literature and varying schools of thought discussing the "genesis, nature, and evolution of the military regimes' that came to power in the southern cone of South America since 1964."

Martz, John D.
The crisis of Venezuelan democracy. Current history, v. 83, Feb. 1984: 73-77, 89.
"As the new government confronts its 1984-1989 constitutional period, the challenges are uncommonly intimidating, and the prospects are less rosy than has seemed usual in Venezuela. The massive foreign debt, decline in liquidity, extensive business failures, rampant unemployment, distortions of the petroleum market . . . these are among Venezuela's grave socioeconomic problems."

McColm, R. Bruce.
Democracy and peace in Central America. Freedom at issue, no. 90, May-June 1986: 5-11.
"Rather than downplaying the regional approach to the Central American crisis, the Reagan Administration should encourage a hemispheric approach to the problem."

McDonald, Ronald H.
Confrontation and transition in Uruguay. Current history, v. 84, Feb. 1985: 57-60, 87-88.
"The future of Uruguay's new civilian regime is unclear. Important questions of amnesty and the full restoration of political rights remain. . . . But with the civilian politicians winning most if not all their confrontations with the military, the process of restoring democratic rule in Uruguay is at last in motion."

Military Government and the movement toward democracy in South America. Edited by Howard Handelman and Thomas G. Sanders. Military Government and the movement toward democracy in South America. Bloomington, Indiana University Press, 1981. 388 p.
"Published in association with American Universities Field staff."

Millett, Richard.
Central American cauldron. Current history, v. 82, Feb. 1983: 69-73, 81-82.
"A major cause of Central America's political violence is the collapsing regional economy. The region has fallen into a classic vicious circle; economic problems contribute to a political instability which, in turn, aggravates the economic situation . . . . The situation has damaged the prospects for moderate political factions in the region and has contributed to a steady political polarization."

Central American paralysis. Foreign policy, v. 39, summer 1980: 99-117.
"U.S. efforts to respond to revolutionary change in Central America resemble those of a fire brigade during the London blitz. American officials rush frantically from place to place, trying to contain the damage and save what they can of existing structures . . . . To forge a policy capable of dealing with Central America, the United States must drastically revise its approach to the region."

Guatemala's painful progress. Current history, v. 85, Dec. 1986: 413-416, 430-431.
"With the election of the second civilian President in 35 years, 'Guatemalans today have reason to hope for better times, but they have no reason to hope that reaching a better future will be easy or rapid.'"

Motley, Langhorne A.
Democracy in Latin America and the Caribbean. Dept. of State bulletin, v. 84, Oct. 1984: 1-15.
Ambassador Motley's July 31, 1984 testimony before the House Subcommittee on Western Hemisphere Affairs "discusses the status of democratic politics in the region. It concludes that democracy is proving to be a practical path to stability as well as to freedom." Includes numerous tables and charts.

El Salvador: revolution or reform? Dept. of State bulletin, v. 84, Mar. 1984: 58-66.
Based on testimony given by the Assistant Secretary for Inter-American Affairs to a joint meeting of the Subcommittees on Human Rights and International Organizations and on Western Hemisphere Affairs, House Foreign Affairs Committee. Details background to the current situation, political developments, economic developments, human rights, land reform, security, and U.S. assistance. Motley notes "this report clearly shows the profound changes underway in this troubled country. By contrasting the starting point of these reforms in 1979 with the present situation, it becomes evident that demonstrable change is taking place in El Salvador and that those seeking reform deserve our continued support. This is not the story of a completed effort but of a dynamic movement toward a more democratic society."

Needler, Martin C.
The problem of democracy in Latin America. Lexington, Mass., Lexington Books, c1987.
This work will be available later in 1987.

The New authoritarianism in Latin Ameica. Edited by David Collier. Princeton, N.J., Princeton University Press, c1979. 456 p.

On Negotiating democratic transition. Third World quarterly, v. 7, Apr. 1985: 7-16.
This editorial comment discusses ways of ending military dictatorships in Third World countries by analyzing recent transitions to democracy in Brazil and Uruguay.

On Nicaraguan democracy: conversations with Clemente Guido, Mauricio Diaz Davila, Sixto Ulloa Dona, and Rafael Solis Cerda. Interviewed by Andrew Reding. World policy journal, v. 2, summer 1985: 555-567.
"As indicated by . . . four prominent Nicaraguan political leaders, including leaders of two of the country's opposition parties, Nicaraguans have not given up on political democracy for their country. In fact, the process of democratization goes on."

Pang, Eul-Soo. Jarnagin, Laura.
Brazilian democracy and the foreign debt. Current history, v. 83, Feb. 1984: 63-67, 87-88.
Examine how Brazil has managed its debt problem, discuss the economic stabilization policies mandated by the IMF, survey Brazilian foreign policy and highlight the political situation.

Paraguay: Latin America's oldest dictatorship under pressure. New York, Americas Watch Committee, c1986. 71 p.
This report examines human rights issues, discusses the health of President Alfredo Stroessner, who has ruled Paraguay since 1954, and considers changes in that country.

Payne, Douglas W. Ybarra-Rojas, Antonio.
Crisis in Chile: scenarios and gameplans. Strategic review, v. 14, summer 1986: 27-47.
"Chile's crisis is marked by an increasingly violent polarization between the Pinochet regime and the Moscow-loyal Communist Party of Chile (PCCh)--a polarization that is tearing at Chile's democratic opposition in its efforts to arrange for a peaceful transition to democratic rule . . . . The PCCh's preferred strategy is the road to power via a popular front transition government, while holding in reserve the alternative of direct insurrection modeled by the Sandinistas in Nicaragua.

Paz, Octavio.
Dialogue, democracy, and peace in Central America. Journal of contemporary studies, v. 8, winter-spring 1985: 75-83.
"It is evident that the United States is backing armed groups fighting the Managua regime; it is evident that the Soviet Union and Cuba are sending arms and military advisers to the Sandinistas; it is also evident that the roots of the conflict lie deep within the past of Central America."

Pedraza-Bailey, Silvia.
Allende's Chile: political economy and political socialization. Studies in comparative international development, v. 17, summer 1982: 36-59.
Suggests that the failure of Allende's Unidad Popular "rested in that it could not organize and maintain sufficient support from the 'middle sectors,' while at the same time the popular support which it did harness became dissociated from its representativeness at the level of the party. Hence, the course of civilian politics laid the terrain for the military takeover."

Philip, George.
The crisis in Central America. Contemporary review, v. 241, July 1982: 1-5.
Discusses economic, social, and political conditions which contribute to political instability in Central America, and considers U.S. policy toward the region.

Philip, George.
Military-authoritarianism in South America: Brazil, Chile, Uruguay and Argentina. Political studies, v. 32, Mar. 1984: 1-20.
"In the recent years, a number of South American countries have been subjected to durable military governments. This phenomenon was not at all foreseen twenty years ago. Four different approaches have been adopted to try to explain this resurgence of authoritarian rule."

Pike, Fredrick B.
Freedom and reform in Latin America. [Notre Dame, Ind.] University of Notre Dame Press, 1959. 308 p. (International studies of the Committee on International Relations, University of Notre Dame)

Pion-Berlin, David.
The fall of military rule in Argentina: 1976-1983. Journal of inter-American studies and world affairs, v. 27, summer 1985: 55-76.
"The decline of the Argentine military dictatorship of 1976-1983 is an important object of study . . . . Much like its predecessor in Argentina (1966), . . . the military came to power in 1976 not to restore political order quickly and to return to the barracks . . . but, rather, to rule for a prolonged period of time."

Ramirez, Mercado Sergio.
On Nicaragua's resolve. World policy journal, v. 1, spring 1984: 669-675.
An interview with one of three members of the governing junta of the revolutionary government of Nicaragua.

Ranis, Peter.
The dilemmas of democratization in Argentina. Current history, v. 85, Jan. 1986: 29-33, 42.
"The Argentines welcomed the Radical party to power in 1983 as a dramatic repudiation of the nine nightmare years of military and Peronist governments . . . . The Radical government has reintroduced political democracy . . . .

But it is one thing to establish the parameters of formal, juridical democracy and another to fulfill long-delayed and necessary social and economic reforms."

Rift and revolution: the Central American imbroglio. Washington, American Enterprise Institute for Public Policy Research, c1984. 392 p. (AEI studies 394)

Partial contents.--The origins of the crisis in Central America, by H. Wiarda.--Setting the stage for rebellion: economics and politics in Central America's past, by G. Wynia.--The roots of revolution in Central America, by T. Anderson.--Civil-military relations in Central America: the dilemmas of political institutionalization, by R. McDonald.--Soviet strategy and policies in the Caribbean basin, by J. Valenta and V. Valenta.--U.S. security and Latin America, J. Kirkpatrick.--The apple of discord: Central America in U.S. domestic politics, by M. Falcoff.

Remmer, Karen L.

Redemocratization and the impact of authoritarian rule in Latin America. Comparative politics, v. 17, Apr. 1985: 253-275.

"This analysis of Latin America's experience with redemocratization demonstrates that authoritarian rule tends to promote political change rather than freeze preexisting political patterns."

Richards, Gordon.

Stabilization crises and the breakdown of military authoritarianism in Latin America. Comparative political studies, v. 18, Jan. 1986: 449-485.

"Over the last five years, military authoritarian regimes broke down consistently throughout Latin America. The return to democratic government has had less to do with the internal political situation in these countries than with the economic crises faced by the military regimes. The military regimes collapsed primarily because of the external debt crisis that emerged in the early 1980s."

Riding, Alan.

Peru puts democracy to the test. New York times magazine, July 14, 1985: 22-24, 42-45.

"President-elect Alan Garcia Perez inherits a nation racked by foreign debt, domestic inflation and a leftist insurgency."

Robertson, Pat.

Dictatorships and single standards: restoring confidence in American foreign policy. Policy review, no. 39, winter 1987: 2-9.

Founder and chief executive officer of the Christian Broadcasting Network believes that "two main principles should guide this country's policy toward other nations. The first is the defense of the life, liberty, and pursuit of happiness of American citizens . . . . The second principle is America's commitment to freedom beyond its immediate borders, for its allies and indeed for all people who long for freedom and are willing to struggle for it."

Rodman, Selden.

Exorcising Haiti--revolutionary journal. National review, v. 38, Apr. 25, 1986: 28-31.

Are Haiti's problems soluble? "Every Haitian government I have observed in my fifty years' residence in the country was swept into power or overthrown in accordance with its allegiance to one racial caste or the other," argues the author.

Roett, Riordan.

Democracy and debt in South America: a continent's dilemma. Foreign affairs, v. 62, no. 3, 1984: 695-720.

Discusses the extent of Latin American debt, examines the social costs of carrying such a debt load, surveys the implications of the interaction between the debt crisis and the political situation in Latin America, and analyzes the U.S. role in the debt and political situation.

Peru: the message from Garcia. Foreign affairs, v. 64, winter 1985-86: 274-286.

"The inauguration of 36-year-old Alan Garcia Perez as a president of Peru on July 28 opened a new and uncertain chapter in that country's tortured modern history . . . . In less than three months, Garcia has thrown down the gauntlet at home and abroad. If successful, his efforts could reverse a pattern of decline almost two decades old and prevent a further unraveling of his country's fragile social fabric."

The return of democracy? Brazil and the Southern Cone. SAIS review, v. 3, summer-fall 1983: 59-70.
Reviews the internal political situations and relations with the U.S. in Brazil, Argentina, Uruguay, Chile, and Paraguay.

Rosenberg, Mark B.
Honduras: the reluctant democracy. Current history, v. 85, Dec. 1986: 417-420, 438, 448.
"The country is physically occupied by two foreign armies (United States and contra forces) . . . . Its political system, barely able to withstand fractious parties, polarizing personalism and excessive clientelism, must respond to the added demands imposed by extreme exile politics."

Rouquie, Alain.
Latin America's military regimes--demilitarising the politicians. Le monde [Manchester] guardian weekly, Apr. 17, 1983: 14.
"Is Latin America doomed to be run by military regimes? The question may seem outdated, now that free elections have been held in Brazil, Bolivia has returned to civilian rule, and the armed forces in Argentina and Uruguay are preparing to return to barracks. But these changes are fragile and eminently reversible."

Samuels, Michael A. Douglas, William A.
Promoting democracy. Washington quarterly, v. 4, summer 1981: 52-65.
Advocates that U.S. foreign policy initiatives include political aid to strengthen democratic pluralism in other countries. Examines the forms of political assistance the U.S. could provide and how programs could be structured.

Sanders, Sol W.
Mexico, chaos on our doorstep. Lanham, Md., Hamilton Press, c1986.
Describes Mexico's current political and economic situation as unstable and considers the implications for U.S. policy.

Schroeder, Richard C.
Pinochet's Chile: what comes next? Washington, Congressional Quarterly, 1986. 955-972 p. (Editorial research reports, 1986, v. 2, no. 24)
Contents.--Calm before the storm?--The post-1970 upheavals.--Prospects for democracy.

Schumacher, Edward.
Defending Argentina's new democracy. New York times magazine, June 10, 1984: 26-29, 72-74, 76-77.

Shlaudeman, Harry W.
Prospects for peace in Central America: the struggle in Central America is about the future. Vital speeches of the day, v. 52, Jan. 1, 1986: 162-165.
The prospects for peace in Central America ultimately rest on a democratic solution of all parties at the negotiating table according to the author, President's Special Envoy for Central America.

Silvert, Kalman H.
The conflict society: reaction and revolution in Latin America. New York, American Universities Field Staff [1966] 289 p.

Transitions from authoritarian rule: Latin America. Edited by Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead; with a foreword by Abraham F. Lowenthal. Baltimore, Md., Johns Hopkins University Press, c1986. 244 p.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs.
Authoritarianism and the return of democracy in Latin America. Hearings, 98th Congress, 2nd session. June 6, 26 and July 31, 1984. Washington, G.P.O., 1984. 201 p.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs.
Prospects for a democratic transition in Chile. Hearing, 99th Congress, 1st session. July 16, 1985. Washington, G.P.O., 1985. 92 p.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs.
The status of democracy in South America. Hearing and markup, 99th Congress, 1st session on House Concurrent Resolution 192, expressing the support of the Congress for the early and peaceful return of democratic rule in Chile. Sept. 11 and 19, 1985. Washington, G.P.O., 1985. 55 p.

Weitz, Richard.
Insurgency and counterinsurgency in Latin America, 1960-1980. Political science quarterly, v. 101, no. 3, 1986: 397-413.
Examines insurgencies in Cuba, Nicaragua, Venezuela, and Bolivia with an aim toward establishing conditions related to success and failure."

Werlich, David P.
Debt, democracy and terrorism in Peru. Current history, v. 86, Jan. 1987: 29-32, 36-37.
"Confronted with a massive foreign debt and a fanatical guerrilla movement, Peru's President Alan Garcia has acted decisively if not effectively. 'Real progress against the nation's major problems will require Garcia to spend his political capital and make some tough decisions.'"

Weinstein, Allen.
The Democratic faith: new options in Central America. Center magazine, v. 17, May-June 1984: 15-20.
"The deepest irony of U.S.-Central American relations in future decades, in fact, may become the degree to which at least some countries in the region successfully manage the transition to pluralist democracy".

Wesson, Robert G.
Democracy in Latin America: promise and problems. New York, Praeger, 1982. 201 p.

Western Hemisphere stability--the Latin American connection. Edited by R. Daniel McMichael and John D. Paulus. Pittsburgh, World Affairs Council of Pittsburgh, (100 Fifth Ave, Pittsburgh, Pa. 15222) 1983. 138 p.
"The findings of a 19-month study project by 18 recognized experts."
Contents.--Economic panel.--Political panel.--Security panel.
"Papers prepared and delivered at the 19th World Affairs Forum in Pittsburgh on May 27, 1982."

White, Richard Alan.
The morass: United States Intervention in Central America. New York, Harper & Row, c1984. 319 p.
"After examining the origins of modern-day counterinsurgency and comparing our experiences in Vietnam with our current operations in Central America, White focuses on the situations in Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. He compares the policies of intervention practiced by U.S. liberal and conservative policymakers, and he analyzes the Domino Theory and alarmist military solutions. He concludes with an overview of the disastrous self-fulfilling prophecies that the current course of escalating U.S. involvement is imposing on the isthmus."

Wynia, Gary W.
Readjusting to democracy in Argentina. Current history, v. 86, Jan. 1987: 5-8, 34.
"Argentina's economy continues to suffer, but its political prospects are bright . . . . Most Argentines prefer democracy to authoritarianism, although it will be some time, if ever, before they are convinced that they can make democracy work to everyone's satisfaction."

The roots of Central American rebellion. Challenge, v. 27, May-June 1984: 18-25.
"Modernization brought economic and political strains to all the region's nations, but their responses ranged from revolution to peaceful change. A variety of political traditions, not simply poverty, was at work."

D. HUMAN RIGHTS AND AUTHORITARIAN REGIMES

American Center of P.E.N. Freedom to Write Committee.
Latin America, the freedom to write: a report. [New York] The Center, c1980. 48 p.

Americas Watch Committee (U.S.)
Land mines in El Salvador and Nicaragua: the civilian victims. New York, The Committee, c1986. 117 p.
Partial contents.--El Salvador: Civilian injuries.--Military casualties.--FMLN mining practices and violations.--Armed forces mining practices and violation.--Nicaragua: types of mines used by the Contras.-- Civilian casualties.--Military casualties.

Anderson, George M.
Torture in Latin America. America, v. 152, June 8, 1985: 470-472.
"Amnesty International and Americas Watch document the violations of human rights in over one-third of the nations of the world. Despite the publicity there has been no significant decrease in the use of torture."

Anderson, Kenneth H.
Action specific human rights legislation for El Salvador. Harvard journal on legislation, v. 22, winter 1985: 255-268.
"This Comment describes an approach to human rights legislation that seeks to overcome the limitations of congressional influence over human rights progress manifest in the presidential certification process. The approach relies on 'action specific' conditions on military aid."

Attacking the death squads. Newsweek, v. 103, Jan. 16, 1984: 24-28, 33-35.
"In a turnabout, the U.S. pressures El Slavador to crack down--or risk losing aid."

Berg, Gracia.
Human rights sanctions as leverage: Argentina, a case study. Journal of legislation, v. 7, 1980: 93-112.
"The purpose of this note is to discuss some of the factors which are relevant to the effectiveness of the human rights sanctions as leverage in countries not dependent on United States aid. The legislation currently in force is reviewed and the present situation in Argentina is studied to provide background for a discussion of the sanctions' effectiveness."

Bradlee, Benjamin C.
Don't talk to Castro about human rights. Washington post, Mar. 6, 1977: C1, C2.
"Bradlee, executive editor of the Washington Post, visited Cuba for a week at the end of February;" notes on conversations with Castro.

Brockett, Charles D.
The right to food and United States policy in Guatemala. Human rights quarterly, v. 6, Aug. 1984: 366-380.
Assesses the impact of U.S. policy on the right to food in Guatemala, using an analytic framework drawn from Henry Shue's work on moral duties.

Branch, Taylor.
The Letelier investigation. New York times magazine, July 16, 1978: 26, 28-30, 33, 35, 39-40, 42.
"The assassination of a former Chilean Ambassador to the United States in Washington, D.C., has resulted in a grand jury investigation that reveals the chilling presence of a network of trained terrorists at work not only in Latin America, but in this country as well."

Burke, W. Scott.
Human rights and El Salvador. Strategic review, v. 11, spring 1983: 62-67.
The Deputy Assistant Secretary of State for Human Rights and Humanitarian Affairs contends that "human rights, as an integral element in the American ethos, are also an indispensable part of the American consensus on which a sustainable U.S. foreign policy must be based. Yet, the issue of human rights cannot be applied in a vacuum of other U.S. interests, let alone in an absolute way that ignores local conditions and relative progress . . . . The human rights certification process with respect to U.S. aid to El Salvador reflects all those philosophical and practical problems. Although it has served positive ends, it is also deeply flawed--particuarly by a single-dimensionality that obscures the ravages of a conflict, the question

of a moral choice between the combatants, and the issue of the likely consequences of a cessation of U.S. assistance, including those for human rights. While the certification process should be retained, it can be amended to avert irremediable damage to U.S. interests."

Center for International Policy.
Human rights and the U.S. foreign assistance program, fiscal year 1978, part 1--Latin America. Washington, 1977. 61 p.
The report examines Argentina, Brazil, Chile and Nicaragua.

Central America, human rights and U.S. foreign policy. Edited by Dermot Keogh. Cork, Cork University Press, 1985. 168 p.

Cogswell, Rob.
El Salvador still suffers. Christian century, v. 102, Nov. 27, 1985: 1094-1098.
"Until effective strings are tied to U.S. aid, state terror will continue in El Salvador . . . . The death squads are never punished, or even tried, or even apprehended."

Cohen, Roberta.
Human rights diplomacy: the Carter Administration and the Southern Cone. Human rights quarterly, v. 4, no. 2, 1982: 212-242.
"This article addresses the promotion of internationally defined human rights and United States foreign policy during the Carter administration by focusing on diplomatic actions in the Southern Cone, excluding Brazil but including Chile, Paraguay, Uruguay, and Argentina. The article first introduces the problem of human rights in the Southern Cone countries reviewed. Second, it describes the methods used in the conduct of foreign affairs. Finally, it presents an assessment of diplomatic costs and benefits resulting from the statecraft of human rights."

Conklin, Margaret. Davidson, Daphne.
The I.M.F. and economic and social human rights: a case study of Argentina, 1958-1985. Human rights quarterly, v. 8, May 1986: 2[illegible]-269.
"It is the aim of this case study to explore the I.M.F.'s respect for the economic and social human rights of Argentines during the period of Fund involvement in the country."

Diederich, Bernard.
Did human rights kill Anastasio Somoza? Caribbean review, v. 10, fall 1981: 4-7, 41-43.

Edwards, Jorge.
Books in Chile. Index on censorship, v. 13, Apr. 1984: 20-22.
Describes how censorship, especially of books, has evolved since 1973. Notes that in June 1983 the government announced that it was withdrawing the stipulation that all books must have official permission before they could be distributed.

El Salvador's other victims: the war on the displaced. New York, Lawyers Committee for International Human Rights, 1984. 257 p.
This is the report of a mission co-sponsored by the Lawyers Committee for International Human Rights and Americas Watch Committee which visited El Salvador in January 1984 to examine the situation of displaced persons in El Salvador. The delegation found that many internally displaced persons who are not officially registered with the Salvadoran government "are subjected to deliberate attacks by the Salvadoran armed forces." The delegation contends that "policies of the United States in El Salvador contribute to the victimization of the displaced," and they advocate the creation of a neutral agency to provide care and protection to the displaced on a humanitarian basis.

Farer, Tom J.
Intervention and human rights: the Latin American context. California Western international law journal, v. 12, summer 1982: 503-507.
"The people of Latin America do not want their rights delivered on the backs of United States Marines; but the great majority who are committed to building open and just societies would applaud the active use of diplomatic instruments to assist them in the defense and promotion of human rights against homegrown enemies."

Faraone, Roque.
Education and the generals: a step by step account of the destruction of academic freedom. Index on censorship, v. 11, June 1982: 32-34.
"Uruguay used to stand out among the countries of Latin America for the degree of evolution achieved by its social and political institutions. Since the military coup of 1973, however, it has become one of the most repressive countries in the region. What has happened, then, to its educational institutions?"

Fellner, Jamie.
The Central-Americanization of Colombia? Human rights and the peace process. New York, Americas Watch Committee, c1986. 147, 6 p.
"This report examines the peace process, the forces that have undermined it, and its relationship to human rights violations in Colombia during the past three years. Many Colombians believe that the peace process, whatever its limitations, defused tensions that were leading the country toward civil war. The evidence gathered suggests that human rights abuses in Colombia could mount disastrously unless the process Betancur started is revived and taken several steps further. Colombia needs civilian control of the military, meaningful punishment for human rights violations, an authentic political opening to disenfranchised sectors and dissident groups, and openness to economic reform."

Fisher, Stewart W.
Human rights in El Salvador and U.S. foreign policy. Human rights quarterly, v. 4, spring 1982: 1-38.
Examines the historical roots of the present crisis in El Salvador. Analyzes the international human rights obligations of the Salvadoran government. Discusses the role U.S. foreign policy has played in the Salvadoran struggle for human rights. Recommends objectives for U.S. policy toward El Salvador and considers the role of human rights considerations in that policy.

Fiske, Mary Ann.
General foods roasted over coffee buying policy. Business and society review, no. 49, spring 1984: 19-21.
Advocates a boycott of coffee from El Salvador and Guatemala. "Ignoring gross violations of human rights in El Salvador and Guatemala cannot be justified as similar coffee products are readily available around the world."

Fontaine, Roger W.
The end of a beautiful relationship. Foreign policy, no. 28, fall 1977: 166-174.
A century of close ties between the United States and Brazil ended on two issues: human rights and nonproliferation.

Gastil, Raymond D. McColm, R. Bruce.
Civilianizing El Salvador; a Freedom House Staff Advisory on Salvadoran and American policies. Freedom at issue, no. 79, July-Aug. 1984: 3-20.
Concludes that "nothing less than the long-term civilianizing of El Salvador will produce a viable democratic society that makes human-rights violations but a grim memory of the past."

Gilley, D. C.
Refining the advocacy of human rights. Parameters, v. 11, Dec. 1981: 63-73.
The author concludes that "human rights advocacy will be most effective, in terms of US national interests, if it is limited in scope to those fundamental rights safeguarding the essential dignity of the person and limited in method to multilateral actions whenever possible. Linkage to economic relations and security interests usually should be limited to the improvement of human rights performance by totalitarian governments."

Griffin, Amy S.
Constitutional impediments to enforcing human rights legislation: the case of El Salvador. American University law review, v. 33, fall 1983: 163-210.
"In Crockett v. Reagan, twenty-nine Congressmen charged that providing security assistance to El Salvador contravened statutory prohibitions on granting aid to 'any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights. . . . The court decided, however, that the equitable discretion doctrine precluded consideration of such sensitive issues on behalf of congressional plaintiffs . . . . The court's decision in Crockett demonstrates the futility of recourse to the judiciary to resolve human rights challenges."

Guatemala: a nation of prisoners. New York, Americas Watch Committee, 1984. 260 p. (An Americas Watch report)

The Committee has "combined information gathered from a wide range of sources in Guatemala and southern Mexico with supplementary interviews carried out by an Americas Watch delegation that visited Guatemala between November 1 and 6, 1983 . . . . In addition to meeting with political prisoners and other victims of human rights abuses, the delegation held conversations with officials of the Mejia Victores Government and traveled to a displaced persons' camp in Coban, Alta Verapaz."

The appendices include a Chronology of Violence: August 10-December 8, 1983.

Horowitz, Irving Louis.

Neoliberalism: Poland, si; El Salvador, no. New leader, v. 65, May 3, 1982: 10-13.

Charges that there has been a "near total collapse of nerve by American neoliberals--individuals who have demanded human rights as a condition of support in Latin America without stipulating the same goal elsewhere, notably in Eastern Europe . . . . The latest failure of nerve exhibited by liberalism has virtually shattered this ideology as a vital force in foreign affairs."

Horton, Scott. Sellier, Randy.

The utility of presidential certifications of compliance with United States human rights policy: the case of El Salvador. Wisconsin law review, v. 1982, no. 5, 1982: 825-861.

"Using a case study analysis, this article assesses the utility of the certification process established by Congress as a method of enforcing United States human rights policies in the countries that receive United States military assistance . . . . The authors conclude that certain of the Reagan administration's certifications are unsupportable given the conditions in El Salvador, and that the current certification legislation is inadequate to ensure that continued aid to El Salvador is conditioned on compliance with United States human rights policy."

Howell, John M.

Socioeconomic dilemmas of U.S. human rights policy. Human rights quarterly, v. 3, Feb. 1981: 78-92.

Explores the problems of formulating a U.S. human rights foreign policy that embraces social and economic rights in addition to civil and political rights.

Human rights & foreign aid: an issue that will not die. ADA [Americans for Democratic Action] legislative newsletter, v. 8, June 15, 1979: 1-6.

"Concern for linkage between human rights and foreign aid, including arms transfers, remains strong in Congress. However, it becomes much more difficult for Congress to consider this linkage once it extends its purview beyond the Western Hemisphere into regions where it perceives overriding national security objectives."

Human rights and basic needs in the Americas. Edited by Margaret E. Crahan. Washington, Georgetown University Press, c1982. 343 p.

Contents.--The state and the individual in Latin America: an historical overview, by M. Crahan.--The evolution of the military in Brazil, Chile, Peru, Venezuela and Mexico: implications for human rights, by M. Crahan.--National Security ideology and human rights, by M. Crahan.--Basic needs: journey of a concept, by J. Weeks and E. Dore.--Economic performance and basic needs: the examples of Brazil, Chile, Mexico, Nicaragua, Peru, and Venezuela, by E. Dore and J. Weeks.--International capital flows, economic growth, and basic needs, by J. Willoughby.--The international monetary fund and basic needs: the impact of stand-by arrangements, by R. Feinberg.--Basic needs strategy: some policy implementation issues of the U.S. bilateral assistance program, by C. Michalopoulos.--U.S.-Latin American military relations since World War II: implications for human rights, by B. Smith.--The Carter Administration and human rights in Latin America, by Lars Schoultz.

Human rights and U.S. human rights policy: theoretical approaches and some perspectives on Latin America. Edited by Howard J. . Washington, American Enterprise Institute for Public Policy Research, c1982. 96 p. (AEI studies, 351)

Human rights and U.S. human rights policy: theoretical approaches and some perspectives on Latin America. Edited by Howard J. Wiarda. Washington, American Enterprise Institute for Public Policy Research, c1982. 96 p. (AEI studies 351)
Partial contents.--Dictatorships and double standards, by J. Kirkpatrick. --Democracy and human rights in Latin America: toward a new conceptualization, by H. Wiarda.--The United States government's commitment to human rights, by R. Schifter.--Human rights and whited sepulchres, by M. Novak.--Establishing a viable human rights policy, by J. Kirkpatrick.--How to keep human rights alive, by E. Olsen.

Human rights in Castro's Cuba. [Washington] U.S. Dept. of State, Bureau of Human Rights and Humanitarian Affairs, 1986. 38 p.
"The first section of the report is a broad overview, with specific examples, of the repression of freedom in several important areas: political freedom, freedom of religion, economic freedom, academic and artistic freedom, and privacy. The section is a brief description of how the revolution has affected economic and social conditions in Cuba. The third section of the report discusses individual cases."

Human rights in Honduras after General Alvarez. New York, Americas Watch Committee, 1986. 60 p. (An Americas Watch report)
Describes the political situation in Honduras and considers the implications for human rights issues.

Human rights in the Americas: the struggle for consensus. Edited by Alfred Hennelly and John Langan. Washington, Georgetown University Press [1982] 291 p.
Contents.--Global human rights: an interpretation of the contemporary Catholic understanding, by D. Hollenbach.--Human rights and Latin American theology, by A. Hennelly.--Human rights in a divided society, by I. Ellacuria.--Defining human rights: a revision of the liberal tradition, by J. Langan.--Individualism and rights in Karl Marx, by J. Haughey.--A Protestant perspective on the Woodstock human rights project, by M. Stackhouse.--The quest for common ground in human rights--a Catholic reflection, by M. Hellwig.--Moral community, imagination, and human rights: philosophical considerations on united traditions, by P. Rossi.--The security of the state and human rights, by H. Montealegre.--On the need to break bread together, by T. Clarke.--Basic needs: criterion for the legitimacy of development, by D. Christiansen.

Human rights and U.S. foreign policy under Carter: a preliminary appraisal. Denver journal of international law and policy, v. 8, 1979: whole issue.
Contents.--Human rights and U.S. foreign policy under Carter: continuity and change, by V. Nanda.--The Carter administration: an appraisal; a congressional perspective, by J. Salzberg.--A perspective from the Agency for International Development, by S. Collins.--New directions in United States food aid: human rights and economic development, by J. Walczak.--Human rights and arms transfer policy, by C. Tarr., Jr.--U.S. policy toward human rights in Latin America: a comparative analysis of two administrations, by L. Schoultz.--An immigration policy of helping bring people to the resources, by J. Nafziger.--Recent trends in the expanding universe of nongovernmental organizations dedicated to the protection of human rights, by L. Wiseberg and H. Scoble.

Kelly, Deirdre.
Guatemala's refugees: victims and shapers of government policies. Fletcher forum, v. 7, summer 1983: 323-354.
This article first examines the ethnic and class conflicts within Guatemala that have produced the outflow of refugees into Mexico . . . . Then after an overview of the present situation of the Guatemalan refugees in Chiapas, Mexico, the relationship between Mexican foreign policy and refugee policy is analyzed, with specific reference to the political dynamics between the governments of Mexico and Guatemala."

Kelly, James.
The white hands of death. Time, v. 123, May 21, 1984: 58-59.
Describes the activities and background of rightist death squads, mano blanco, in El Salvador.

Kirkpatrick, Jeane J.
Addressing human rights. World affairs, v. 144, winter 1981-82: 196-213.
Contents.--Human rights and the foundations of democracy.--Human rights in El Salvador.--Human rights in Chile.

Lent, John A.
Mass media and socialist governments in the Commonwealth Caribbean. Human rights quarterly, v. 4, summer 1982: 371-390.

"Looks at the state of mass media in Guyana, Jamaica, and Grenada during the 1970s and early 1980s, emphasizing the years those countries were under socialist control. Some aspects of media-government relationships that are explored are mass media ownership policies, and economic, legislative, and physical constraints upon the press."

Lernoux, Penny.
Cry of the people: the struggle for human rights in Latin America--the Catholic Church in conflict with U.S. policy. New York, Penguin Books, 1982. 535 p.

Letelier, Isabel. Moffitt, Michael.
Human rights, economic aid and private banks: the case of Chile. Washington, Institute for Policy Studies, 1978. 12 p.

"In 1976 when the U.S. Congress banned future military assistance to Chile, private bank loans to Chile increased more than 500% over the previous year. By the end of 1978, Chile's loans from private multinational banks will total one billion dollars, with U.S. banks providing $927 million. In short, just as the Chilean government was reaching the point where it would have been forced to improve its human rights policies to gain needed assistance, the private banks came to the rescue."

Little hope: human rights in Guatemala, January 1984 to January 1985. New York, Americas Watch Committee, 1985. 51 p.

Contents.--The right to life and to physical integrity.--Disappearances.--Freedom of association.--Evidence of official responsibility.--Grupo de Apoyo Mutuo.--Secret tribunals.--Model villages and civil patrols.--Refugees and displaced persons.--Elections.--United States policy towards Guatemala, by H. Burkhalter.

Loescher, Gilburt. Scanlan, John.
Human rights, U.S. foreign policy, and Haitian refugees. Journal of inter-American studies and world affairs, v. 26, Aug. 1984: 313-356.

"Is the contention of this article that the principal reason for the special immigration animus against Haitians, particulary as it has displayed itself in the handling of political asylum claims, has been the close political relationship between the United States and the Duvaliers pere and fils . . . . We intend to show that the denial of virtually every Haitian claim between 1972 and 1980 reflected conscious policy choices."

Meislin, Richard J.
El Salvador: the state of siege continues. New York times magazine, Feb. 20, 1983: 34-36, 38-39, 42-43, 53-54.

"Despite conditions attached to U.S. aid, human-rights abuses continue in El Salvador.

Mignone, Emilio Fermin. Estlund, Cynthia L. Issacharoff, Samuel.
Dictatorship on trial: prosecution of human rights violations in Argentina. Yale journal of international law, v. 10, fall 1985: 118-150.

"The government of President Raul Alfonsin faced the virtually unprecedented task of investigating and prosecuting its own armed forces for human rights abuses . . . . This Article will argue that the statute embodying these policies contains many constitutional difficulties."

Military aid continued for El Salvador despite human rights violations. First principles, v. 7, Aug. 1982: 1-11.

Moeller, James W.
Human rights and United States security assistance: El Salvador and the case for country-specific legislation. Harvard international law journal, v. 24, summer 1983: 75-101.

In this comment, the author surveys the development of country-specific legislation linking U.S. security assistance to human rights policy, and he examines the use of such legislation in providing security assistance to El Salvador. Moeller contends that country-specific legislation can promote U.S. human rights policy more effectively than Section 502B of the Foreign Assistance Act, given "its attention to the unique circumstances in each country, its clearer resolution of the tensions between the inherently onflicting objectives of Section 502B, and, in general, its ability to continually promote progress, rather than to merely criticize failure in human rights observance."

Motley, Langhorne A.
El Salvador: revolution or reform? Dept. of State bulletin, v. 84, Mar. 1984: 58-66.

Based on testimony given by the Assistant Secretary for Inter-American Affairs to a joint meeting of the Subcommittees on Human Rights and International Organizations and on Western Hemisphere Affairs, House Foreign Affairs Committee. Details background to the current situation, political developments, economic developments, human rights, land reform, security, and U.S. assistance. Motley notes "this report clearly shows the profound changes underway in this troubled country. By contrasting the starting point of these reforms in 1979 with the present situation, it becomes evident that demonstrable change is taking place in El Salvador and that those seeking reform deserve our continued support. This is not the story of a completed effort but of a dynamic movement toward a more democratic society."

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Padilla, Amado. Comas-Diaz, Lillian.
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Parker, Mary Caroline.
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"The Inter-American Court of Human Rights . . . has two kinds of jurisdiction: adjudicatory . . . and advisory jurisdiction . . . . In its first advisory opinion, 'Other Treaties,' the Inter-American Court of Human Rights has significantly enlarged the scope of its advisory jurisdiction. . . . The extent to which OAS organs and member states will make use of the Court's expertise remains to be determined."

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The Vatican flops in Latin America. Nation, v. 240, Jan. 26, 1985: 76-79.

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Quigley, Thomas E.
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Ramirez Mercado, Sergio. Chamorro Barrios, Pedro Joaquin.
Freedom of the press in Nicaragua. Caribbean review, v. 12, winter 1983: 20-21, 44.
Beatriz Parga de Bayon interviews Sergio Ramirez Mercado of the Junta de Reconstrucion Nacional and Pedro Joaquin Chamorro Barrios of La Prensa regarding the Nicaraguan government's censorship of the mass media.

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Sandinista prisons: a tool of intimidation. Washington, U.S. Bureau of Inter-American Affairs, for sale by the Supt. of Docs., G.P.O., 1986. 11 p. (Dept. of State publication 9492)
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Mass asylum and human rights in American foreign policy. Political science quarterly, v. 97, spring 1982: 39-56.
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Schoultz, Lars.
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Steel, Ronald.
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The Maryknoll nun murders in historical context, by W. LaFeber.--Justice in El Salvador: a report by the Lawyers Committee for International Human Rights on the investigation into the killing of four U.S. churchwomen, by M. Posner and R. Greathead.--The undermining of the legal standards for human rights violations in United States foreign policy: the case of "improvement" in Guatemala, by P. Albert.--Certifying human rights: military assistance to El Salvador and the International Security and Development Cooperation Act of 1981, by R. Nash, Jr.

Uhlig, Mark A.
Pinochet's tyranny. New York review of books, v. 32, June 27, 1985: 35-40.
Based on recent interviews with U.S. and other diplomats, Chilean human rights leaders, businessmen and political leaders, and middle and working class Chileans, the author assesses the opposition to Pinochet's regime, claiming that it is due to economic privation as much as government oppression.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Human Rights and International Organizations.
Cuban political prisoners. Hearing, 99th Congress, 2nd session. Sept. 24, 1986. Washington, G.P.O., 1986. 107 p.

Human rights in Cuba. Hearings before the Subcommittees on Human Rights and International Organizations and on Western Hemisphere Affairs of the Committee on Foreign Affairs, House of Representatives, 98th Congress, 2nd session. June 27, 1984. Washington, G.P.O., 1984. 123 p.

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Country reports on human rights practices for 1986; report submitted to the Committee on Foreign Relations, U.S. Senate and Committee on Foreign Affairs, U.S. House of Representatives in accordance with sections 116 (d) and 502B (b) of the Foreign Assistance Act of 1961, as amended. Washington, for sale by the Supt. of Docs, G.P.O., 1987. 1356 p.
At head of title: 100th Congress, 1st session, Joint Committee print, S. Prt. 100-10.
"The reports on individual country human rights practices contained . . . [in this volume] were prepared by the Department of State . . . . They also fulfill the legislative requirement of section 31 of the Bretton Woods Agreements Act." Presents a country-by-country assessment of human rights, includes a definition of human rights, and discusses U.S. human rights policy.

With friends like these; the America's Watch report on human rights & U.S. policy in Latin America. Edited by Cynthia Brown. New York, Pantheon Books, c1985. 281 p.
Reports "the up-to-the-minute status of human rights in Argentina, Chile, Uruguay, El Salvador, Nicaragua, Honduras, Guatelama, Colombia, and Peru. How valid are the new guarantees (ours and theirs) of free expression, personal security, and due process? What are the real connections between the military and death-squad activity? Where do 'free elections' fit in on the political and economic trajectories of each country? To which sides, and to what ends, is the United States offering funds, arms, and sympathy--and why do our government's 'facts' often vary so widely from independently reported accounts?"

E. U.S.-U.S.S.R. INTERACTION IN LATIN AMERICA

1. General

Aguilar, Luis E.
Marxism in Latin America. New York, Knopf [1968] 271 p. (Borzoi books on Latin America)

Agro-Melina, Robert Joseph.
The U.S.S.R.'s courting of Latin America: Soviet forward policy and strategy in the southern western hemisphere. S.l., Horizon Publications, c1984. 134 p.

Andre, David J.
Gathering storm in the Eastern Caribbean. Military review, v. 61, July 1981: 2-14.
Contends that the chief threat to the United States in the Caribbean is "economic and social deprivation leading to the creation of political instability that, in turn, provides conditions conducive to Cuban and Soviet influence."

Armstrong, G. P.
Soviet arms transfers to the Third World: history and aims. Ottawa, Canada Dept. of National Defence, Operational Research and Analysis Establishment, 1986. 59 p. (Staff note 8604)

Ash, Timothy Garton.
Back yards. New York review of books, v. 31, Nov. 22, 1984: 3, 6-9.
The author attempts to compare Soviet imperialism in Central and Eastern Europe with American interference in Central America, and asks a rhetorical question of "what justifies a superpower's violating, with force, the sovereignty and self-determination of weaker nations?"

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"The Communist bloc's loss of Grenada has spurred Moscow and Havana to focus on Guyana. This English-speaking country on South America's northeastern shoulder is a strategic bridge between Latin America and the Caribbean."

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The Russian knife at America's throat. Reader's digest, v. 121, Aug. 1982: 88-92.
"A massive military buildup is quietly taking place in Cuba, turning this client state of the Soviets into a serious threat to U.S. security."

Blasier, Cole.
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Contents.--The new Soviet presence.--Building diplomatic networks: political relations.--The stubborn trade deficit: economic relations.--Many roads to power: party relations.--Cuba: political asset, economic liability.--The strands of Soviet policy.--Afterword on U.S. policies.

Central America and the lessons of Vietnam. Washington, Heritage Foundation, 1983. 6 p. (National security record no. 61)

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Contents.--A region of conflict, by R. Chawla.--Nicaragua: growing U.S. pressure, by A. Nafey.--Soviet Union: watchful reticence, by R. Narayanan.--United States: prop to puppet regimes, by K. Seshadri.--Cuba: a true ally of Nicaragua, by V. Priya.--Peace initiatives: hope in Contadora proposal, by A. Roy.--Nonaligned movement: a quest for peace, by D. Jadeja.

Clissold, Stephen.
Soviet relations with Latin America, 1918-1968; a documentary survey. London, New York, Oxford University Press, 1970. 313 p.

Communism in Central America and the Caribbean. Edited by Robert Wesson. Stanford, Calif., Hoover Institution Press, c1982. 177 p. (Hoover international studies)
Hoover Press publication, 261.
Partial contents.--Moscow, the Caribbean, and Central America, by W. Duncan.--Cuba, by W. LeoGrande.--Nicaragua, by J. Goodsell.--El Salvador, by T. Anderson.--Guatemala, by D. Premo.--Costa Rica, Honduras, and Panama, by N. Pearson.

Constable, Pamela. Valenzuela, Arturo.
Is Chile next? Foreign policy, no. 63, summer 1986: 58-75.
"American policy toward Chile has evolved . . . from warm support for an anticommunist ally to mounting concern that Pinochet's recalcitrance is encouraging the growth of an armed insurgency. The administration had long relied on 'quiet diplomacy' to persuade Pinochet to liberalize . . . . U.S. officials in 1986 took the unprecedented step of sponsoring a U.N. resolution denouncing human rights abuses by Chilean security forces."

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Cordesman, Anthony H.
The Soviet arms trade: patterns for the 1980s; part 1. Armed Forces journal international, v. 120, June 1983: 96-97, 100, 102-105.
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Davison, Michael S.
Soviet penetration of the Caribbean Basin. Atlantic Community quarterly, v. 23, spring 1985: 81-86.
The author discusses the issue of Soviet power projection into the Caribbean and Central America, within the context of "a new post-WW II era of East-West relations," which he defines.

DelAguila, Juan M.
Central American vulnerability to Soviet/Cuban penetration. Journal of inter-American studies and world affairs, v. 27, summer 1985: 77-97.
"One cannot defend the potential establishment of 'new Cubas' on the isthmus and hold that what is really needed is the removal of 'friendly authoritarians' because installation of pro-Soviet totalitarian governments would not only present a much graver threat to the region's inhabitants and neighbors, but would also, in practical terms, eliminate all prospects for eventual democratization."

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U.S. policy and the Marxist threat to Central America. Washington, Heritage Foundation, 1980. 16 p. (Backgrounder no. 128)
Briefly examines the current situation in El Salvador, Nicaragua, and Guatemala and suggests potential policies which can "promote the continued independence of the nations in the area and protect the vital interests of the U.S. as well."

Dominant powers and subordinate states: the United States in Latin America and the Soviet Union in Eastern Europe. Edited by Jan F. Triska. Durham, N.C., Duke University Press, 1986. 504 p.

Dominguez Reyes, Edme.
Soviet relations with Central America, the Caribbean, and members of the Contadora group. Annals of American Academy of Political and Social Science, v. 481, Sept. 1985: 147-158.
"This article discusses Soviet policy toward Central America, the Caribbean, and members of the Contadora Group, and it compares the Soviet approach with Cuban policy."

Donaldson, Robert H., ed.
The Soviet Union in the Third World: successes and failures. Boulder, Colo., Westview Press [1981] 458 p.
Contents.--The Soviet Union in Latin America.--The Soviet Union in Africa and the Middle East.--The Soviet Union in Asia.--The context and instruments of Soviet policy.--Summary and conclusions.

Draper, Theodore.
Falling dominoes. New York review of books, v. 30, Oct. 27, 1983: 6, 10, 12, 14, 16, 18-19.
Traces the Domino theory and its rights and wrongs in post-World War II American foreign policy.

Duncan, W. Raymond.
Soviet interests in Latin America. Journal of inter-American studies and world affairs, v. 26, May 1984: 163-198.
"The Soviet seek to exploit opportunities in Latin America through a variety of techniques, particularly that of using Cuban backing . . . . This essay will examine this area of Soviet opportunism through a review of some recent key events, which began in 1979: (1) the revolutionary change in Grenada, which led to (2) Grenada's domestic coup and the U.S. intervention; (3) the revolutionary conflict in Central America, most notably in (4) Nicaragua; (5) and the Falklands/Malvinas crisis of 1982."

El Salvador, USA, Nicaragua: the struggle for control; a special issue. Christianity and crisis, v. 45, July 22, 1985: whole issue (266-312 p.)
Partial contents.--Under construction: Nicaragua's new polity, by A. Reding.--El Salvador and the rules of engagement, by A. Nelson.--U.S. crusade in Central America, by P. Brenner.--Contadora: a matter of will, by P. Berryman.--Organizing the opposition to U.S. policy, by L. Howell.--Nicaraguan Catholicism: church and change, by J. Arguello.

Evans, M. Stanton.
Central America: the limited war game. Conservative digest, v. 9, June 1983: 8-23, 26-32.
Partial contents.--How to make another Vietnam, by M. Evans.--Blueprint for failure: limited war and democratic socialism, by J. Skousen.--The hot issues: land reform, human rights, politics.--American advisers in El Salvador speak out, by K. Brown.--The Soviet-Cuban military threat to the South, by V. Prewett.--A winning strategy for hemispheric foreign policy, by J. Skousen.--The Brezhnev doctrine, by C. Di Giovanni.--Policy for survival: new Monroe doctrine, by M. Thomson.

Falcoff, Mark.
The coming crisis in Chile: Pinochet is playing into the Communist hands. Policy review, no. 34, fall 1985: 18-24.
"Twelve years ago this September, a coup d'etat in Chile toppled President Salvador Allende, extinguished the democratic system in that country, and established in its place a willful, arrogant, and at times astonishingly cruel dictatorship. By acting as they did when they did, the generals arguably saved their country from Communism or civil war. In the intervening dozen years, however, a new regime has emerged which--far from consolidating that achievement--actually makes it more probable that at some point in the future, the forces of Marxism-Leninism in Chile may yet achieve their goals."

Gershman, Carl.
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Gonzalez, Edward.
The Cuban and Soviet challenge in the Caribbean Basin. Orbis, v. 29, spring 1985: 73-94.
"In the final analysis . . . Cuba's power projection capabilities derive ultimately from its status as a privileged client-state of the Soviet Union . . . . After identifying and comparing the respective interests and objectives of Havana and Moscow in the Caribbean Basin, this article assesses each actor's ability to project power to advance its goals."

Grondona, Mariano.
South America looks at detente (skeptically). Foreign policy, no. 26, spring 1977: 184-203.
In Latin America "detente refers to a new potential for trade with the East, but also carries with it a measure of alarm and fear;" detente is also viewed by the military regimes of the Southern Triangle as "an ideological cover for possible subversive penetration into their own societies."

Gu, Guan-fu.
Soviet aid to the Third World, an analysis of its strategy. Soviet studies, v. 35, Jan. 1983: 71-89.
The author writes "for the Soviet Union, aid is an instrument which is used to achieve its strategic objectives in the Third World. In this paper, I examine the record of Soviet aid to date in order to ascertain its strategy as well as to determine whether changes in the type or amount of aid offered by the Soviet Union reflect shifts in its overall strategy." He includes charts on Soviet military and economic aid to developing countries.

Hansen, Joseph.
The Leninist strategy of party building: the debate on guerrilla warfare in Latin America. New York, Pathfinder Press, c1979. 608 p.

Harvey, Robert.
Central America: a potential Vietnam? World today, v. 38, July-Aug. 1982: 282-287.
"There are four major ways in which the Vietnam analogy does not apply in Central America. First, the origins of the Central American conflict make it very difficult to compare with Vietnam. Second, the extent to which it represents a real threat to American interests is different. Third, the scale of American involvement is wholly disproportionate. Fourth, the real human issues involved are not to be compared."

Harvey, Mose L.
Latin America: the Russian bear's southern migration. Sea power, v. 26, Apr. 15, 1983: 96-97, 100-103.
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Horowitz, Irving Louis.
Passion and compassion: the conflict in Central America. Caribbean review, v. 14, winter 1985: 23-25, 45.
Discusses U.S. relations with Central America within the context of the East-West power struggle. "The quiet race goes on. Central America is now part of the struggle for power as a whole."

Horowitz, Paul. Sklar, Holly.
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Contents.--Surprises in the South Atlantic.--From confrontation to accommodation and back again.--Transatlantic ties.--Charge of the Reaganites: the Russians are coming!

Gonzalez, Heliodoro.
Bloc voting at the United Nations or U.S. foreign aid? The Kasten Amendment. Inter-American economic affairs, v. 38, summer 1984: 78-84.
"Reflecting growing congressional concern with bloc voting at the United Nations and particuarly Latin American bloc voting that was heavily oriented toward support of the Russian position, in 1983 the chairman of the Subcommittee on Foreign Assistance of the Senate Appropriations Committee successfully sponsored a bill that required an annual report on the degree of support of U.S. foreign policy by countries in the United Nations."

Hubener, Karl-Ludolf. Montaner, Carlos Alberto.
The Socialist International and Latin America. Caribbean review, v. 11, spring 1982: 38-45, 57.
Contents.--The Socialist International and Latin America: problems and possibilities, by K. Hubener.--The mediation of the Socialist International: inconsistency, prejudice and ignorance, by C. Montaner, translated by N. Dominguez.

Is Central America going Communist? U.S. news & world report, v. 91, Dec. 21, 1981: 20-24.
"In one country after another, Marxist insurgents are on the move. Time is running out on U.S. efforts to reverse the trend."

Jacobsen, C. G.
Soviet attitudes towards, aid to, and contacts with Central American revolutionaries. Prepared by C. G. Jacobsen in association with David R. Jones, Mohiaddin Mesbahi, and Robin Rosenberg for the Department of State. S.l., 1984. 31 p.
This report "focuses solely on Moscow's presence. It collates data already available in the West, additional data culled from a wide variety of Soviet sources and media, and information released by other actors. It mirrors Soviet attitudes and charts Soviet policies."

Jonas, Susanne.
Revolution and intervention in Central America. San Francisco, Synthesis Publications, 1983. 344 p. (Contemporary Marxism series)
Contents.--Part I. From the struggle and beyond.--Documents from El Salvador.--Documents from Nicaragua.--Documents from Guatemala.--Part II. U.S. strategies for counterrevolution.

Kalb, Madeleine G.
Where consensus ends. New York times magazine, Oct. 27, 1985: 102-105, 116-117, 120-121.
"Administration officials . . . pride themselves on the fact that since President Reagan took office, the Soviet Union has made no new inroads in the third world. Instead, they claim, in some of the 'gray areas,' the situation is being reversed."

Katz, Mark N.
The Soviet-Cuban connection. International security, v. 8, summer 1983: 88-112.
"An examination of the various aspects of Soviet-Cuban relations shows those areas in which their respective policies and interests are more in concert and those in which they are less so. The aspects of their relations that will be examined here are their ideological views on revolution in the Third World; their foreign policies toward Africa, Latin America, and other areas; and their bilateral economic and military relations."

Kirkpatrick, Jeane J.
Anti-communist insurgency and American policy. National interest, no. 1, fall 1985: 91-96.

In this speech delivered at the National Press Club on May 30, 1985, former U.S. permanent representative at the U.N., Kirkpatrick, discusses "the emergence of guerrilla movements against governments that call themselves Marxist/Leninist, proclaim socialist solidarity, and have been incorporated into the 'Soviet world system' . . . . Discusses U.S. policy toward these movements, which exist today in Cambodia, Afghanistan, Mozambique, Angola, Ethiopia and, of course, Nicaragua. What our attitude and policy should be toward such movements is one of the very hottest questions before the U.S. government today. It has already proved a fascinating kind of political litmus test, one that separates Republicans from Democrats and liberals from conservatives, and rouses very strong political passions."

The moral difference between the US and the USSR. New guard, v. 24, spring 1984: 12-16, 26.

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Klare, Michael T.
Soviet arms transfers to the Third World. Bulletin of the atomic scientists, v. 40, May 1984: 26-32.

"It is important to understand the motives of Soviet arms transfers to the Third World; they may not threaten U.S. interests as much as the Reagan Administration believes."

Laird, Robbin F.
Soviet arms trade with the noncommunist Third World. In The Soviet Union in the 1980's. New York, Academy of Political Science, 1984. (Proceedings, v. 34, no. 3, 1984) p. 196-213.

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Leiken, Robert S.
Eastern winds in Latin America. Foreign policy, no. 42, spring 1981: 94-113.

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Soviet strategy in Latin America. New York, Praeger [1982] 124 p. (Washington papers, v. 10, no. 93)

Published with the Center for Strategic and International Studies, Georgetown University, Washington, D.C.

Contents.--Latin America and the superpowers: an era of change.--Soviet strategy and the Third World.--The peaceful road to Sovietism.--The Soviet strategic offensive in Latin America.--The Sovietization of Cuba.--The Soviet-Cuban offensive in the Caribbean.--The USSR, Cuba, and the Central American revolution.--The Cuban offensive and Latin American reaction.--Conclusion: mutual benefit, mutual defense.

LeMayne, James.
The guerrilla network. New York times magazine, Apr. 6, 1986: 14-20, 69-71, 73, 75, 79.

"Trained in Cuba, the Soviet Union and other Communist nations, Central America's leftist revolutionaries share arms, money and a common goal."

LeoGrande, William M.
A splendid little war. International security, v. 6, summer 1981: 27-52.

Summarizes political events in Nicaragua and El Salvador and reviews the Carter Administration's policy toward Latin America. Discusses the Reagan Administration's policy toward El Salvador and considers its implications for U.S. relations with other nations in Latin America and with Western Europe.

Luers, William H.
The Soviets and Latin America: a three decade U.S. policy tangle. Washington quarterly, v. 7, winter 1984: 3-32.
Sets forth to "discuss the public policy problems involved in designing a coherent policy to deal with Soviet-Cuban involvement in this hemisphere, analyze the evolution of Soviet-Latin American relations, look at the militarization of the Soviet-Cuban superpower, and finally put forward some thoughts on U.S. interests and policies toward the Soviet-Cuban involvement in Latin America."

Max, Alphonse.
Southern targets. United States Naval Institute proceedings, v. 111, Mar. 1985: 114-119.
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McColm, R. Bruce.
Central America and the Caribbean: the larger scenario. Strategic review, v. 11, summer 1983: 28-42.
"The fixation of the American debate on El Salvador obscures the broader outlines of a Soviet-Cuban strategy convergence in the Central American-Caribbean region following the triumph of the Sandinistas in Nicaragua. The unified strategy is still geared to the accelerated export of revolution into the area . . . . The short-range purpose of this buildup clearly is the fashioning of a regional conventional deterrent for shielding revolutionary forces once they have seized power. The ultimate goal, from Moscow's vantagepoint, is to mount the kind of power projection into the area that, by squarely threatening vital U.S. interests and lifelines, would in effect hold America's global strategy hostage in the event of a larger conflict."

Miles, Sara.
The real war: low intensity conflict in Central America. NACLA report on the Americas, v. 20, Apr.-May 1986: 17-48.
Contents.--Getting on with the ballgame.--Preparing the battlefield.--The war at home.

Moore, John Norton.
The secret war in Central America and the future of world order. World affairs, v. 148, fall 1985: whole issue (75-130 p.)
Contents.--Background of the Central American conflict.--Legal issues in the conflict.--Recurrent misperceptions.--Strengthening world order.

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The 1980s: decade of confrontation? Washington, National Defense University, 1981. 312 p.
Partial contents.--The US and the USSR: is confrontation inevitable?--The Middle East and Southwest Asia: what strategies for the US?--Central America and the Caribbean: cockpit of big power conflict?--NATO and the Warsaw Pact: can internal differences be managed?--Global terrorism: what should the US do?

Neier, Aryeh.
Tropic of fire. Mother Jones, v. 7, Jan. 1982: 35-45.
"A civil libertarian conducts face-to-face confrontations with the leaders of Guatemala, El Salvador & Nicaragua."

Nixon, Richard M.
Third World war. In his No more Vietnams. New York, Arbor House, c1985. p. 212-237.
The Soviets cannot have it both ways. If they have a right to support Communist 'liberation' forces in non-Communist countries, we have an even greater right to support true liberation forces in Communist countries. In Nicaragua we should help the contras as long as the Sandinistas continue to support the guerillas in El Salvador."

Organization of American States. Special Consultative Committee on Security.
Against the subversion of international Communism: studies prepared by the SCCS at its nineteenth regular meeting, 1973. Washington, General Secretariat of the Organization of American States [1973] 69 p.

Parkinson, F.
Latin America, the Cold War and the World Powers, 1945-1973. Beverly Hills, Sage publications, c1974. 288 p.
Partial contents.--Latin America as a Pawn of the World Powers (1945-1950).--The impact of the Korean War (1950-1953).--The Guatemalan Crisis (1953-1954).--Prelude to the Cuban Revolution (1959-1960).--The crisis of the Bay of Pigs (1961-1962).--Diplomatic Climax: the conference of Punta del Este (1962).--Military climax: the Cuban missile crisis (1962).--Crisis in the Dominican Republic (1965-1966).--The rise of the guerrilla (1965-1966).--Towards a new diplomacy.

Podhoretz, Norman.
Appeasement by any other name. Commentary, v. 76, July 1983: 25-38.

Rabkin, Rhoda Pearl.
U.S.-Soviet rivalry in Central America and the Caribbean. Journal of international affairs, v. 34, fall-winter 1980-81: 329-351.
"This essay attempts an appraisal, unclouded by either wishful thinking or conspiracy theories, of the causes and East-West implications of the new developments in the region."

Ramet, Pedro. Lopez-Alves, Fernando.
Moscow and the revolutionary left in Latin America. Orbis, v. 28, summer 1984: 341-363.
"Moscow's new opportunities in Latin America are more the result of growing indigenous anti-American sentiment in the region than of Soviet initiative."

Rangel, Carlos.
Mexico & other dominoes. Commentary, v. 71, June 1981: 27-33.
Examines Mexico's attitude toward the problem of Soviet-inspired and Cuban-supported insurgencies in Central America.

Rothenberg, Morris.
Latin America in Soviet eyes. Problems of communism, v. 32, Sept.-Oct. 1983: 1-18.
"Soviet ideologists and policymakers view the 'progressive' Sandinista regime in Nicaragua as a promising addition to Moscow's Cuban connection in Latin America, and there has been a marked rise in declared Soviet support for further revolutionary 'armed struggle' in Central America . . . . The Soviets hope to expand their already fairly substantial diplomatic, economic, and other links with the large countries of Latin America as a means of accelerating the erosion of US influence they claim is under way."

Sanchez, Nestor D.
Soviets, Cubans must be countered for security of Central America and U.S. Officer, v. 60, July 1984: 1, 12-14.
The Deputy Assistant Secretary of Defense, Inter-American Affairs, writes "there are significant implications to the growing Soviet, Cuban, and Nicaraguan threat on our southern border. The United States has major interests at stake in Central America and the Caribbean Basin. Caribbean shipping lanes are vital to our security and economic prosperity . . . . The Caribbean Basin is the fourth largest market in the world for U.S. products. In time of war, 50 percent of the supplies for NATO would depart Gulf ports."

Sanders, Sol.
Central America and the lessons of Vietnam. Survey, v. 27, autumn-winter 1983: 273-286.
"The inadequacy of the analog of the American intervention in Indochina with Washington's growing policy dilemma in Central America is rather obvious . . . the locus of a confrontation in what has always been considered America's backyard; a political dispute involving confirmed Soviet surrogates . . . all these factors make the Central American imbroglio a different contest from the one which took place in South-East Asia."

Socialist models of development. World development, v. 9, Sept.-Oct. 1981: whole issue.
Partial contents.--Socialism and development: editors' introduction, by K. Jameson and C. Wilber.--Socialist Cuba and the intermediate regimes of Jamaica and Guyana, by K. Jameson.--Establishing self-governing socialism in a less developed country, by B. Horvat.--On the role of management in socialist development, by A. Zimbalist.--Agricultural productivity under

socialism, by M. Ellman.--The optimal rate of industrialization in developed and developing centrally-planned economies: a general equilibrium approach, by J. Brada, M. Jackson and A. King.--Human rights, Third World socialism and Cuba, by A. Pollis.--Women's emancipation under socialism: a model for the Third World?, by M. Molyneux.

The Soviet-Cuban connection in Central America and the Caribbean. Released by the Department of State and Department of Defense. Washington, Dept. of State, 1985. 45 p.
Contents.--Cuba: the key Soviet proxy.--Grenada: a failed revolution.--Nicaragua: a betrayed revolution.--El Salvador: a democratic revolution.--Castro: subversive catalyst.--The challenge and the response.

Soviet-Latin American relations in the 1980s. Edited by Augusto Varas. Boulder, Colo., Westview Press, 1986. (Westview special studies on Latin America and the Caribbean)

Tellis, Ashley J.
The geopolitical stakes in Central American crisis. Strategic review, v. 13, fall 1985: 45-56.
"The U.S. policy debate over the crisis in Central America has fastened on the tactics of Soviet-Cuban-Nicaragua 'export of revolution' and regional destabilization. This preoccupation neglects the by far larger dangers inherent in the Soviet buildup . . . . The article illuminates the transcendent Soviet design in the region: namely, to erect an expanding platform of capabilities . . ."

Thomas, Ted.
Central America aflame. Washington times, Apr. 11, 1983: 1A, 12A; Apr. 12: 1A, 12A; Apr. 13: 1A, 7A; Apr. 14: 1A, 7A; Apr. 15: 1A, 7A.
Contents.--America's backyard turns into battlefield.--Competing ideologies vie for Salvador grand prize.--Nicaraguans' fight for freedom gets John Paul II's firm support.--Soldiers don't reflect trouble in Honduras.--Guatemala's Mayans key to beating leftists.

Tucker, Robert W.
Their wars, our choices: the policy riddle: intervention, withdrawal, or political settlement? New republic, v. 189, Oct. 24, 1983: 22-31.
"Central America is not Vietnam, but the debate over Central America is, in some ways, a continuation of the debate over Vietnam. A close examination of the various courses--military intervention, abandonment of our clients, or an imposed political settlement--turns up much that is vexing, little that is simple."

Trask, Roger R.
The impact of the cold war on United States-Latin American relations, 1945-1949. Diplomatic history, v. 1, summer 1977: 271-284.
"This essay is an attempt to describe and to determine the impact of the early Cold War on United States-Latin American relations."

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs.
Soviet posture in the Western Hemisphere. Hearing, 99th Congress, 1st session. Feb. 28, 1985. Washington, G.P.O., 1985. 81 p.

U.S. Congress. Senate. Committee on Appropriations. Subcommittee on Foreign Assistance and Related Programs.
U.S. policy toward anti-communist insurgencies. Hearing, 99th Congress, 1st session. Washington, G.P.O., 1985. 128 p. (Hearing, Senate, 99th Congress, 1st session, S. Hrg. 99-315)

Valenta, Jiri.
The USSR, Cuba, and the crisis in Central America. Orbis, v. 25, fall 1981: 715-746.
Surveys ongoing conflicts in Central America and reasons for the revolutionary transformation occurring there. Analyzes Cuban and Soviet strategies toward Central America and the Caribbean, emphasizing specific tactics employed in Nicaragua and El Salvador. Briefly considers U.S. policy toward Central American nations in light of Soviet and Cuban initiatives.

Varas, Augusto.
Ideology and politics in Latin American--USSR relations. Problems of communism, v. 33, Jan.-Feb. 1984: 35-47.
"Moscow's long-term interest in Latin America, while never a top priority, has usually been integrated with broader Soviet ideological and economic trends. Over the past two decades, for reasons both economic and political, Latin American governments have become more receptive to Moscow's emphasis on expanding state-to-state relations. Yet Soviet economic stringency at home and preoccupation with more pressing issues abroad probably mean that Moscow's policy in the hemisphere will remain essentially reactive to US initiatives."

Whelan, Joseph G. Dixon, Michael J.
The Soviet Union in the Third World, 1980-85: an imperial burden or political asset? Report prepared for the Committee on Foreign Affairs, U.S. House of Representatives by the Congressional Research Service, Library of Congress. Washington, G.P.O., 1985. 502 p.
At head of title: 99th Congress, 1st session. Committee print.
"Divided into six parts, . . . [this] study encompasses the globe. It presents first a commentary on the Soviet commitment to the Third World in perspective, followed by a review of Soviet activities in Asia, the Middle East, and Latin America."

White, Richard Alan.
The morass: United States intervention in Central America. New York, Harper & Row, c1984. 319 p.
"After examining the origins of modern-day counterinsurgency and comparing our experiences in Vietnam with our current operations in Central America, White focuses on the situations in Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. He compares the policies of intervention practiced by U.S. liberal and conservative policymakers, and he analyzes the Domino Theory and alarmist military solutions. He concludes with an overview of the disastrous self-fulfilling prophecies that the current course of escalating U.S. involvement is imposing on the isthmus."

2. Reagan Doctrine

Bode, William R.
The Reagan doctrine. Strategic review, v. 14, winter 1986: 21-29.
"The Doctrine, as an expression of American moral values, calls for support, in various forms, to those forces of resistance . . . . [It] still faces conceptual uncertainties and obstacles, particularly with respect to the necessary domestic consensus and weaknesses in implementive capabilities."

Codevilla, Angelo.
The Reagan Doctrine--(as yet) a declaratory policy. Strategic review, v. 14, summer 1986: 17-26.
"A Reagan Doctrine has been associated with Presidential statements pledging the full U.S. assistance necessary for anticommunist liberation movements . . . notably in Nicaragua, Angola and Afghanistan. Yet, purposeful policy to implement that Doctrine has yet to take shape."

Geyelin, Philip.
Seeking a Reagan doctrine. Washington post, Oct. 29, 1985: A21.
Questions the effectiveness of the Reagan doctrine.

Gleijeses, Piero.
The Reagan Doctrine and Central America. Current history, v. 85, Dec. 1986: 401-404, 435-437.
"Guerrilla wars persist in El Salvador, Guatemala and Nicaragua . . . . 'Nowhere in Central America has the Reagan administration made a serious advance toward peace and security.' With its focus on Nicaragua, the administration 'seeks to impress the world with America's resolve, but any outcome short of Sandinista removal will be humilating.'"

Hart, Benjamin.
Rhetoric vs. reality: how the State Department betrays the Reagan vision. Washington, Heritage Foundation, 1986. 22 p. (Backgrounder no. 484)
Contends that "after five years . . . the Reagan Administration's liberation rhetoric still bears little relationship to actual U.S. foreign

policy . . . . And it is also clear that the major problem is at the State Department where a persistent effort is made to derail and betray the Reagan Doctrine."

Implementing the Reagan doctrine. Washington, Heritage Foundation, 1985. 1-3, 6 p. (National security record no. 82)
"A major new foreign policy initiative aimed at implementing what is known as the Reagan Doctrine described as the policy of 'actively support(ing) efforts by democratic forces that are trying to fight Communist aggresion and to unseat Communist regimes around the world.'"

Johnson, Robert H.
"Rollback" revisited--a Reagan doctrine for insurgent wars? Washington, Overseas Development Council, 1986. 12 p.
"After years of opposing Soviet assistance to 'wars of national liberation,' the United States has proclaimed a new policy of U.S. support to such Third World insurgencies--provided that they are anti-communist."

Kondracke, Morton.
How to save democracies: Reagan's fragile legacy. New republic, v. 195, Dec. 22, 1986: 23-25.
Presents Reagan Administration strategy for helping "fragile new democracies."

Krauthammer, Charles.
Against authoritarian regimes, too. Washington post, Feb. 28, 1986: A19.
"The authoritarian-totalitarian distinction does tell us much about the nature of regimes and about what it takes to make them change. But, as a guide for deciding which regimes the United States will push toward democracy, it has been superseded--by the Reagan Doctrine, a doctrine whose ideological foundation lies in the idea of freedom."

The Reagan doctrine. Time, v. 125, Apr. 1, 1985: 54-55.
"The Reagan Doctrine proclaims overt and unashamed American support for anti-Communist revolution."

Layne, Christopher.
The real conservative agenda. Foreign policy, no. 61, winter 1985-86: 73-93.
"Global containment--recast as the Reagan Doctrine--commits the United States to resisting Soviet and Soviet-supported agression wherever it arises; to building American-style democracies in Third World countries; and to rolling back communism by aiding anticommunist insurgencies . . . . It is up to the Republican party's real conservatives to offer an alternative to the neoconservative Reagan Doctrine."

Maynes, Charles William.
Reagan and the American resolve: a U.S. foreign policy for intervention everywhere. Los Angeles times, Feb. 9, 1986, Part 5: 1-2.
Editor of Foreign Policy magazine examines the Reagan doctrine in the historical context of American diplomacy. Contends that many of the opposition movements which stand to benefit from the Reagan doctrine may not necessarily establish democracies. Also contends that this policy may acutually threaten U.S. interests.

McLeod, Don.
The Reagan Doctrine: policy shift produces gains for democracy. Washington times, Mar. 10, 1986: 1A, 6A-7A.
"Until recently, the Reagan Doctrine had been thought of primarily in terms of anti-communist insurgency . . . . The other side of the Reagan Doctrine--defense of democratic principles even under harsh but pro-Western governments--has a much longer pedigree and was the centerpiece of President Jimmy Carter's administration's human rights initiatives." Includes an assessment of U.S. policy in the Philippines in light of the doctrine by D. Brock and an evaluation of the situation in El Salvador by A. Platt and G. Emery.

Pang, Eul-Soo.
The Reagan doctrine and Nicaragua: a Poland syndrome in U.S. Central American policy. Indianapolis, Universities Field Staff International, 1985. 12 p. (UFSI reports, 1985/no. 13, North America)
"The author ponders the Nicaraguan revolution on its own terms--how it affects daily social, economic, and political life--and within the context

of U.S. administration foreign policy where different perceptions of political 'pluralism' place Ortega and Reagan at opposite poles."

Tucker, Robert W.
Exemplar or crusader: reflections on America's role. National interest, no. 5, fall 1986: 64-75.
Examines the Reagan Doctrine in the historical context of U.S. foreign policy.

Wolf, Charles, Jr.
Arming the Reagan Doctrine. National interest, no. 5, fall 1986: 102-105.
Suggest that "the Soviet doctrine of support for national liberation movements against 'Western imperialism' should be paralleled by a U.S. doctrine of support for legitimate movements seeking national liberation from communist imperialism."

3. Case Studies

a. Cuban Missile Crisis

Abegunrin, Layi.
The U.S. policy of containment: a case study of the Cuban missile crisis. Quarterly journal of administration, v. 16, Oct. 1981-Jan. 1982: 103-116.
"Cuba under Fidel Castro became a thorn in the flesh of the United States when it turned Socialist in 1961 . . . . In October 1962, she realized with dismay that the Soviet Union was even setting up missile bases on Cuban soil. The United States responded to this situation by deciding that the Communist military threat to the security of the Western hemisphere and to the balance of power in the international system, would be met and contained by United States' military might."

Anderson, Paul A.
Justifications and precedents as constraints in foreign policy decision-making. American journal of political science, v. 25, Nov. 1981: 738-761.
Contends that the necessity of justifying foreign policy decisions acts as a constraint, limiting acceptable alternatives. Examines U.S. decision making during the Cuban missile crisis to demonstrate the role of precedent and justification as constraints on acceptable alternative policies.

Chayes, Abram.
The Cuban missile crisis. New York, Oxford University Press, 1974. 157 p.

Cohen, Eliot A.
Why we should stop studying the Cuban missile crisis. National interest, no. 2, winter 1986: 3-13.
"Through their ceaseless pondering of the events of October 1962, policy analysts have not merely dulled our historical sense . . . . They have also helped produce poor policy and misleading analysis . . . . But widening our investigations may very well clarify problems we now see dimly or not at all," concludes the author.

Garthoff, Raymond L.
The meaning of the missiles. Washington quarterly, v. 5, autumn 1982: 76-82.
"Using his own recently declassified memos, this former senior State Department official examines the military considerations behind U.S. decision making during the Cuban missile crisis."

Lebow, Richard Ned.
The Cuban missile crisis: reading the lessons correctly. Political science quarterly, v. 98, fall 1983: 431-458.
"Attempts to show that there is no evidence to support the thesis that the Soviet Union put missiles into Cuba because Khrushchev doubted Kennedy's resolve. Lebow argues against the notion that the principle policy lesson of the crisis is that timidity invites challenge while resolve deters."

Leighton, Richard M.
The Cuban missile crisis of 1962: a case in national security crisis management. Washington, National Defense University, for sale by the Supt. of Docs., G.P.O. [1978] 55 p.
Contents.--Surprise.--Preparing the response.--Exploring the options.--Decision.--Confrontation.--Challenge.--Testing.--Resolution.

Leng, Russell J.
Reagan and the Russians: crisis bargaining beliefs and the historical record. American political science review, v. 78, June 1984: 338-355.
"Reagan's view of how to deal with the Soviet Union is compared to the U.S. performance record in three Soviet-American crises: Berlin, 1948-1949, Berlin, 1961, and Cuba, 1962 . . . . The author finds a positive association between specific U.S. threats of force and initial Soviet responses in kind, and between carrot-and-stick inducements that use less specific threats and more accommodative Soviet responses."

Matcalf, Lawrence E.
The cold war and beyond: from deterrence to detente to what?: an examination of the bipolar system during three crises, Hungary, 1956, Cuba, 1962, the Middle East, 1973. New York, Random House [1975] 71 p.

Moser, Don.
The time of the angel: the U-2, Cuba, and the CIA. American heritage, v. 28, Oct. 1977: 4-15.
In the Cuban missile crisis "a critical factor was Kennedy's certainty, beyond any shadow of doubt, that nuclear missiles were indeed being installed just a hundred miles from American shores." This certainty was possible by secret airplane flight made by the U-2, under the aegis of the CIA.

Pollard, Robert A.
The Cuban missile crisis: legacies and lessons. Wilson quarterly, v. 6, autumn 1982: 148-158.
"Historian Robert Pollard examines the October 1962 drama and today's scholarly debate over its causes and consequences."

Rodman, Peter W.
The missiles of October: twenty years later. Commentary, v. 74, Oct. 1982: 39-45.
"Whatever historical weight one chooses to place upon it, the 'Cuba connection' left its mark here, as in other dimensions of our national-security policy, with important consequences for America's global position today," concludes the author.

Silber, John R.
The Kennedy Doctrine: principles for a settlement in Central America. Strategic review, v. 12, fall 1984: 13-21.
"In the 1962 Cuban Missile Crisis, President John F. Kennedy reached an understanding with the Soviet Union involving certain ground-rules of Soviet and Cuban behavior in return for an American pledge not to invade Cuba. The crisis that confronts the United States in Central America today is the culmination of a methodical Soviet, and Cuban, effort over the intervening 22 years to transgress and circumvent the understanding with a large-scale buildup of military power in Cuba and the projection of that power, along with the export of revolution, into the hemisphere."

Trachtenberg, Marc.
The influence of nuclear weapons in the Cuban missile crisis. International security, v. 10, summer 1985: 137-163.
"What role did nuclear weapons play in the Cuban missile crisis, and what does the episode tell us about the broader problem of the political utility of nuclear forces?"

b. Cuban-U.S. Relations

Anderson, Jack.
Storm warnings at our doorstep. Parade, Sept. 21, 1980: 18-19, 21-22.
"The grim truth is that the Caribbean nations are today being swept by revolutionary winds, fanned by Cuba's Fidel Castro in behalf of the Kremlin," warns the author.

Bialer, Severyn. Stepan, Alfred.
Cuba, the US, and the Central American mess. New York review of books, v. 29, May 27, 1982: 17-18, 20, 22.
Reviews discussions between a delegation of ten American specialists on international relations and a group of Cuban senior foreign policy officials and advisers regarding East-West relations, Soviet-Cuban relations, U.S. Cuban relations, and Cuban and U.S. policies toward Central America.

Blechman, Barry M. Durch, William J.
Bay of Pigs +20. Washington quarterly, v. 4, autumn 1981: 86-100.
Reviews U.S. relations with Cuba in light of Cuban military assistance to guerrilla forces in El Salvador, Cuban military activism in Angola, and Soviet military activities in Cuba.

Bryan, Anthony T.
Cuba's impact in the Caribbean. International journal, v. 40, spring 1985: 331-347.
Outlines the several distinct phases of Cuban foreign policy since 1959 and attempts "to sort out cause from effect (stimulus and response) and to illuminate the national and international environment within which Cuba's policies towards the Caribbean took shape."

Burstin, Luis.
My talks with the Cubans. New republic, v. 190, Feb. 13, 1984: 19-23.
The author, a former Costa Rican Secretary of Information, discusses a "continuing dialogue between Manuel Mora, Secretary General of the Communist Party of Costa Rico, high-ranking Cuban officials, and me--followed by discussions with officials in Washington--about how to achieve peace in Central America, and about the possibility of an agreement between the United States and Cuba to guarantee it."

Calvert, Peter.
The future United States role in Latin America. International journal, v. 37, winter 1981-82: 76-90.
Examines the United States foreign policy towards Latin America in general, her relations with Cuba and Cuban revolutionary intervention in the Caribbean area.

Castro, Fidel.
Fidel and religion: Castro talks on revolution and religion with Frei Betto. Translation by the Cuban Center for Translation and Interpretation; introduction by Harry Cox. New York, Simon and Schuster, c1987.
This work will be available in 1987.

Reagan and foreign affairs: a Cuban perspective. Political affairs, v. 110, Mar. 1981: 11-18.
In an excerpt from his report to the second Congress of the Cuban Communist Party, Castro contends that the Reagan Administration will support reactionary oligarchies and fascist military dictatorships in Latin America.

Connell-Smith, Gordon.
Castro's Cuba in world affairs, 1959-79. World today, v. 35, Jan. 1979: 15-23.
"Since the revolution exactly twenty years ago, Cuba's role in international affairs has been played increasingly as part of the Soviet system, but it has reflected mutual perceptions of common interest rather than a traditional patron-client relationship."

Controversy in Congress over U.S. policy toward Cuba. Congressional digest, v. 57, Feb. 1978: 33-64.

Cuba. Caribbean review, v. 15, spring 1986: 3-44.
Partial contents.--Did Fidel fudge the figures? Literacy and health: the Cuban model, by Nicholas Eberstadt.--How to figure out Cuba: development, ideology and mortality, by Sergio Diaz-Briquets.--Congo or Carabali? Race relations in socialist Cuba, by Carlos Moore.--Grenadian Party paper: revealing an imaginary document, by Jorge I. Dominguez.--Report redux: thoughts on the imaginary document, by Nelson P. Valdes.--Is the Cuban economy knowable: a national accounting parable, by Jorge Salazar-Carrillo.

Del Aguila, Juan.
Political developments in Cuba. Current history, v. 85, Jan. 1986: 12-15, 36-37.
"A major effort is under way in Cuba to restructure economic priorities, and long-term development goals take precedence over consumer and personal needs." Examines domestic situation, foreign relations with the region and with the Soviet Union.

Dominguez, Jorge I.
Cuba in the 1980s. Foreign affairs, v. 65, fall 1986: 118-135.
A brief appraisal of Cuba's political and economic conditions and foreign policy.

Duncan, W. Raymond.
Castro and Gorbachev: politics of accommodation. Problems of communism, v. 35, Mar./Apr. 1986: 45-57.
"A warming trend in Cuban-Soviet ties was evident at the party congresses held this year in Havana and Moscow . . . . Fluctuations between accommodation and discord are not new to Cuban-Soviet relations. Economic considerations and a growing awareness of the fiscal contraints attendant to supporting Third World revolutionary movements underlie the most recent upturn in relations."

Eckstein, Susan.
Structural and ideological bases of Cuba's overseas programs. Politics & society, v. 11, no. 1, 1982: 95-121.
Describes Cuba's foreign aid programs, and evaluates factors accounting for Cuba's overseas activities. Suggests that commitment to "socialist solidarity" and Soviet pressure have shaped the extent and nature of the programs, but that domestic national considerations have also been important.

Fontaine, Roger W.
Fidel Castro: front and center. Washington quarterly, v. 2, spring 1979: 75-84.
Describes Fidel Castro's actions over the past decade, focusing on Cuban military intervention and relations with the Carter Administration.

Fernandez, Damian J.
Cuban foreign policy: scholarship and double standards. Journal of inter-American studies, v. 28, summer 1986: 147-153.
Analyzes three current works on Cuban foreign policy. "The 3 books reviewed here combine to raise the question as to why scholars apply double standards in their examination of the practices and policies of Third World states and are less rigorous than they are when scrutinizing those of the larger, more developed states."

Falcoff, Mark.
Thinking about Cuba. Washington quarterly, v. 6, spring 1983: 101-109.
Suggests that "while Castro's Cuba would most undoubtedly benefit from a normalization of relations with the United States, the advantages that might accrue to the U.S. are far less clear or compelling."

Gonzalez, Edward.
The Cuban and Soviet challenge in the Caribbean Basin. Orbis, v. 29, spring 1985: 73-94.
"In the final analysis . . . Cuba's power projection capabilities derive ultimately from its status as a privileged client-state of the Soviet Union . . . . After identifying and comparing the respective interests and objectives of Havana and Moscow in the Caribbean Basin, this article assesses each actor's ability to project power to advance its goals."

Greider, William.
Common sense in Central America. Rolling stone, no. 398, June 23, 1983: 11, 14, 85, 87.
"As Reagan leads us into a new big muddy, it's time to deal with Cuba and develop a sane policy toward our neighbors to the south." The author spells out three tenets for hemisphere peace.

Hopkins, Joseph E.
Cuba: Moscow's marionette. United States Naval Institute proceedings, v. 108, July 1982: 58-64.
The author contends that the West "can preempt the Kremlin's strategy for seizure of Eurafrica by curtailing communist subversion in Pan-America before it becomes a threat of consuming proportions. Persuading Cuba to cut the ties that bind it to its Marxist masters is an urgent geostrategic necessity."

Horowitz, Irving Louis.
Fresh Havana breezes? Freedom at issue, no. 81, Nov.-Dec. 1984: 16-18.
"The offer by Fidel to remove Cuban troops from Angola, in exchange for a series of assurances, reveals him as wanting to negotiate but lacking the

cards to do so effectively . . . . Perhaps this is an appropriate time for some sort of diplomatic opening to Cuba at high levels."

Hudson, R. A.
Castro's America Department: systemizing insurgencies in Latin America. Terrorism, v. 9, no. 2, 1987: 125-167.
"Traces the development of Cuba's America Department and documents the extent of its activities in support of extremist groups in Latin America and Puerto Rico, including its use of Nicaragua as a regional subversive center."

Kenworthy, Eldon.
Dilemmas of participation in Latin America. Democracy, v. 3, winter 1983: 72-83.
Considers the problems accompanying political participation in post-revolutionary situations, such as Cuba, and examines the Cuban "Organs of Popular Power" program. Evaluates the extent to which the Cuban system can resolve both the leaders' and their followers' expectations regarding political participation.

Katz, Mark N.
The Soviet-Cuban connection. International security, v. 8, summer 1983: 88-112.
"An examination of the various aspects of Soviet-Cuban relations shows those areas in which their respective policies and interests are more in concert and those in which they are less so. The aspects of their relations that will be examined here are their ideological views on revolution in the Third World; their foreign policies toward Africa, Latin America, and other areas; and their bilateral economic and military relations."

Kotz, Nick. Kondracke, Morton.
How to avoid another Cuba. New republic, v. 184, June 20, 1981: 19-23.
The Reagan Administration is faced with a problem of how to deal with a Marxist-leaning government in Nicaragua 'which it perceives to be posing a Communist threat to Latin America."

LeoGrande, William M.
Cuba policy recycled. Foreign policy, no. 46, spring 1982: 105-119.
The author contends that: "Central America offers a perfect example of what has been wrong with U.S. responses to Cuban initiatives abroad. By treating Cuba as the source of Central America's problems, the United States loses sight of regional dynamics, focusing only on the East-West dimension of local conflicts."

Main, Jeremy.
Castro tightens Cuba's belt. Fortune, v. 112, Sept. 16, 1985: 120-124, 126, 128, 130.
"He talks of a debtors' strike, but he needs the West. Lots of sugar and Soviet aid barely keep the creaky Marxist economy moving, and the U.S.S.R. is getting stingy."

McColm, R. Bruce.
Castro's ambitions amid new winds from Moscow. Strategic review, v. 14, summer 1986: 48-57.
"Fidel Castro faces clouded horizons for the ambition to leave his personal imprint on history. Cuba's deep economic problems are being compunded by adverse international trends . . . . They are accentuated by strong pressures from the new leadership in Moscow for improved economic performance . . . . Castro has responded with changes in the leadership to satisfy Moscow's demands for management reforms--and with an 'all people's war' concept designed to martialize Cuban society."

Menges, Constantine.
Central America and its enemies. Commentary, v. 72, Aug. 1981: 32-38.
Discusses the involvement of Cuba, Mexico, of foreign and regional Communist parties in revolutionary violence of Central America.

Mullin, Dennis.
Where Castro still threatens in Caribbean. U.S. news & world report, v. 89, Dec. 1, 1980: 37-38.
"Revolution is the watchword on the island of Grenada, where Cuba is determined to build a Marxist showcase in back yard of the U.S."

Montaner, Carlos Alberto.
The roots of anti-Americanism in Cuba: sovereignty in an age of world cultural homogeneity. Caribbean review, v. 13, spring 1984: 13-16, 42-46.
Traces the roots of anti-Americanism from its beginning in nineteenth century Cuba to its present form in the Sovietization of Cuba.

Nordheimer, Jon.
20 years with Fidel. New York times magazine, Dec. 31, 1978: 16, 28-30.
"On the anniversary of the Cuban revolution, Castroism is firmly entrenched on the island. But will it endure after Castro?"

Scheina, Martin J.
The U.S. presence in Guantanamo. Strategic review, v. 4, spring 1976: 81-88.
"With Soviet naval presence in the Caribbean on the increase, this is not the time for the United States to contemplate returning Guantanamo to the Cubans," concludes the author.

Schulz, Donald E.
The strategy of conflict and the politics of counterproductivity. Orbis, v. 25, fall 1981: 679-713.
Reviews U.S.-Cuban relations. Contends that a strategy of conflict would have negative ramifications. Considers U.S. and Cuban policies in Africa and Central America, and suggests alternative U.S. policies.

Scully, Eileen.
The Castro doctrine makes gains. Washington, Heritage Foundation, 1983. 11 p. (Backgrounder no. 289)
Examines Cuba's subversive actions in Central and South America and the Caribbean.

Sherwin, Martin J. Winn, Peter. Fagen, Richard R.
Cuba. Wilson quarterly, v. 2, winter 1978: 57-81.
Two articles review Cuban-U.S. and Cuban-U.S.S.R. relations.

Shneyer, Paul A. Barta, Virginia.
The legality of the U.S. economic blockade of Cuba under international law. Journal of international law, v. 13, summer 1981: 451-482.
Article "analyzes the legal framework under which the U.S. government has authorized, organized, and implemented the cessation of trade with Cuba and the legality of such action under international law." Concludes that "whatever view is adopted, either that of coercion or aggression, it is quite evident that the imposition of the U.S. economic blockade of Cuba constituted an illegal act."

Smith, Wayne S.
The closest of enemies: a personal and diplomatic account of U.S.-Cuban relations since 1957. New York, W. W. Norton, c1987.
This work is forthcoming in 1987.

Dateline Havana: myopic diplomacy. Foreign policy, no. 48, fall 1982: 157-174.
"If future U.S. policies toward Cuba are to be more successful than those of the past, they must flow from long-range strategies geared to clear, realistic objectives; they must result from careful thought, not knee-jerk reactions; and they must deal with concrete issues."

The Soviet-Cuban connection in Central America and the Caribbean. Released by the Department of State and Department of Defense. Washington, Dept. of State, 1985. 45 p.
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The United States and Cuba. Dept. of State bulletin, v. 85, Feb. 1985: 46-50.
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Szulc, Tad.
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"Twenty years after the Bay of Pigs invasion, another President has made Cuba and its Soviet ties a central focus of American foreign policy."

Fidel Castro's years as a secret communist. New York times magazine, Oct. 19, 1986: 47-48, 70-72, 74, 121.

Thomas, Hugh.
The U.S. and Castro, 1959-1962. American heritage, v. 29, Oct.-Nov. 1978: 27, 29-35.
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Issues in United States-Cuban relations. Hearing before the Subcommittees on International Economic Policy and Trade and the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs, House of Representatives, 97th Congress, 2nd session. Dec. 14, 1982. Washington, G.P.O., 1983. 82 p.

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Impact of Cuban-Soviet ties in the Western Hemisphere, spring 1980. Hearings, 96th Congress, 2nd session. Washington, G.P.O., 1980. 122 p.
Hearings held Mar. 26-May 14, 1980.

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The role of Cuba in international terrorism and subversion. Hearings, 97th Congress, 2nd session. Washington, G.P.O., 1982. 273 p.
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Cuban Armed forces and the Soviet military presence. Washington, 1982. 5 p. (Special report no. 103)
Examines Cuban military strength and influence in Latin America. Disucsses the link between Cuban and Soviet military forces.

Cuba's renewed support for violence in Latin America. Washington, 1981. 12 p. (U.S. Dept. of State. Bureau of Public Affairs. Special report no. 90)
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c. Dominican Republic

Bohan, R. T.
The Dominican case: unilateral intervention. American journal of international law, v. 60, Oct. 1966: 809-812.
"It shows the possibilities for the misuse of international law as an instrument for the self-righteous justification of illegal acts," contends the author.

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Contents.--The Myths, by Paul D. Bethel.--The Facts, by J.B. Bender.

Draper, Theodore.
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----- Dominican crisis; case study in American policy--Discussion. National review, v. 18, Feb. 8, 1966: 99-100, 107-114.

Fenwick, Charles G.
The Dominican Republic: intervention or collective self-defense. American journal of international law, v. 60, Jan. 1966: 64-67.

Ferguson, Yale H.
The Dominican intervention of 1965: recent interpretations. International organization, v. 27, autumn 1973: 517-548.
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Georgetown University, Washington, D.C. Center for Strategic Studies.
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Gutierrez, Carlos Maria.
The Dominican Republic: rebellion and repression. Translated by Richard E. Edwards. New York, Monthly Press [1972] 172 p.

Lowenthal, Abraham F.
The Dominican intervention. Cambridge, Mass., Harvard University Press, 1972. 246 p.

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A 'successful' intervention. Commonweal, v. 97, Feb. 16, 1973: 444-448.
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Mann, T. C.
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An address, Oct. 12, 1965.

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Overtaken by events; the Dominican crisis from the fall of Trujillo to the civil war. New York, Doubleday, 1966. 821 p.

Slater, Jerome.
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"Fruits of the invasion: U.S. interests in the Dominican Republic ten years later."

d. Grenada

Charles, Keith.
The Castroization of Grenada. National review, v. 34, Sept. 17, 1982: 1144, 1148-1150.
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Crossette, Barbara.
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"At the heart of the debate over the future of many of the more than 30 countries and territories of the Caribbean Basin is the issue of national viability. Leaving aside the larger island and mainland Caribbean nations, the question becomes: Can—or even should—tiny, nonindustrialized and impoverished countries survive as independent nations?"

Connell-Smith, Gordon.
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"Considers the Grenada invasion against the background of traditional United States policy in the region, and within the context of the Cold War, in assessing its significance for President Reagan's relations with Latin America."

Dieguez, Richard P.
The Grenada intervention: 'illegal' in form, sound as policy. New York University journal of international law and politics, v. 16, summer 1984: 1167-1204.

"This Note argues that although the multinational action was illegal in form under international law, it was a justified policy decision given the underlying facts. International incidents should be scrutinized under the lens of political realism rather than legal idealism."

Contents.--Introduction.--The multinational intervention in Grenada.--The mechanics of the international legal framework.--The legal justification asserted by the Reagan Administration and the OECS nations for the multinational intervention in Grenada.--Conclusion.

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The U.S. invasion of Grenada: resurrection of the "Johnson Doctrine"? Stanford journal of international law, v. 20, spring 1984: 173-189.

Examines "the legal and policy decisions underlying U.S. actions in Grenada. To this end comparisons will be made, where appropriate, with prior U.S. interventions and the essentially ex post facto verbal justifications . . . advanced to legitimize the actions. The discussion will show that . . . perceptions of a Soviet-Cuban role in Grenada and its implications for the Caribbean had more to do with the U.S. decision to invade than did concern for the safety of U.S. citizens on the island."

Grenada. Communist affairs, v. 3, 1984: 290-322.

Contents.--Chronology of the Grenada crisis.--The power struggle in Grenada.--The Grenada crisis.--The Grenadian revolution: from self-defence to self-destruction, by C. James.--Message sent by New Jewel Movement (UK support group) to Grenada during the October crisis.--Statement of the NJM support group, London.--Statement by the party and revolutionary government of Cuba on the events in Grenada.--Revolutionary government refutes Pentagon lies.--This was the Cuban personnel in Grenada.--WPJ position on Grenada; 'the response of our Cuban comrades.'

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Grenada mission: crisis editorializing in the New York times, Wall Street journal, Washington post and Washington times. Edited by Raymond English. Washington, Ethics and Public Policy Center, 1984. 47 p. (Ethics and public policy essay, 55)

Grenada, the peaceful revolution. Washington, EPICA (1470 Irving St. N.W., Washington, 20010), The Task Force, c1982. 132 p.

Prepared by the EPICA Task Force.

Invasion of Grenada. Progressive, v. 48, Jan. 1984: 16-21.
Contents.--The empire strikes back: a pitiful, helpless giant goes to war, by R. Barnet.--Reagan's island, by W. Steif.--A revolution that could have worked, by S. Zunes.

Kirkpatrick, Jeane J.
The U.N. and Grenada: a speech never delivered. Strategic review, v. 12, winter 1984: 11-18.
"On November 2, 1983, the U.N. General Assembly took up the question of Grenada in a resolution sponsored by Nicaragua, Zimbabwe and Guyana, which called for the immediate cessation of fighting on the island and withdrawal of all troops, characterizing the intervention as a 'flagrant violation of international law.' Debate on the resolution was preempted by a cloture motion introduced by the People's Democratic Republic of Yemen and carried by 60 votes to 54, with 24 abstentions. The Nicaraguan resolution was adopted 108 to 9, with 27 abstentions . . . . What follows is the speech that Ambassador Kirkpatrick prepared for the debate on November 2, but was prevented from delivering."

Lewis, Gordon K.
Grenada: the jewel despoiled. Baltimore, Johns Hopkins University Press, c1987.
This work is forthcoming in 1987.

Lynch, Edward A.
Bold action in Grenada: countering a Soviet threat. Washington, Heritage Foundation, 1983. 12 p. (Backgrounder no. 303)

Massing, Michael.
Grenada before and after. Atlantic monthly, v. 253, Feb. 1984: 76-87.
"The domestic and international problems of a government trying to carry out the first socialist revolution based on tourism."

Motley, James Berry.
Grenada: low-intensity conflict and the use of U.S. military power. World affairs, v. 146, winter 1983-84: 221-238.
"This study examines the Grenada military operation within the context of low-intensity conflict--the range of activities and operations on the lower end of the conflict spectrum involving the use of military force on the part of the United States to influence and compel an adversary to accept a particular political-military condition. It suggests that in terms of probabilities, the United States will, within the foreseeable future, become involved in other 'quick strike' military intervention similar to Grenada."

Naipaul, V. S.
An island betrayed. Harper's magazine, v. 268, Mar. 1984: 61-72.
"Grenada's revolution never got beyond slogans and texts. Amid the heat and torpor, language and intentions blurred . . . . The revolution was a revolution of words. The words had appeared as an illumination, a short-cut to dignity . . . but the words were mimicry. They were too big; they didn't fit; they remained words. The revolution blew away; and what was left in Grenada was a murder story."

Pastor, Robert A.
Does the United States push revolutions to Cuba? The case of Grenada. Journal of inter-American studies and world affairs, v. 28, spring 1986: 1-34.
"This article begins with a brief survey of the background to the revolution. Then the three stages in the US-Grenadian relationship from 1979-1983 will be described . . . . In the last section of this article, the author will analyze the causes and the consequences of the tense relationship between the US and the PRG People's Revolutionary Government, and speculate as to possible alternative approaches for addressing revolutionary governments."

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The dirty secrets of Grenada. American spectator, v. 18, Mar. 1985: 22-25.
"Many radicalized Third World elites continue to view the Soviet model as the most expeditious way to modernize impoverished postcolonial societies."

Reding, Andrew A.
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"The following agenda proposes a strategy for correcting the damage caused by the U.S. invasion--to Grenada, to our domestic political process, and to our international prestige--and for allowing Grenada to achieve self-reliance and self-determination on its own terms."

Rubner, Michael.
The Reagan Administration, the 1973 War Powers Resolution, and the invasion of Grenada. Political science quarterly, v. 100, winter 1985: 627-647.
Examines the extent to which the Reagan administration complied with the 1973 War Powers Resolution when it dispatched U.S. troops to Grenada in October 1983. He concludes that the decision to invade violated both the letter and spirit of the law and offers several suggestions for enhancing congressional participation in future decisions involving deployment of American forces abroad."

Shearman, Peter.
The Soviet Union and Grenada under New Jewel Movement. International affairs (London), v. 61, autumn 1985: 661-673.
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Sunshine, Cathy.
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Full committee consideration of H. Res. 383 directing the President to furnish certain information to the House of Representatives with respect to United States activities regarding Grenada. Hearing, 98th Congress, 2nd session. Feb. 8, 1984. Washington, G.P.O., 1984. 8 p.
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Resolution of inquiry with respect to United States activities regarding Grenada; adverse report to accompany H. Res. 383. Washington, G.P.O., 1984. 5 p. (Report, House, 98th Congress, 2nd session, no. 98-597, part 2)

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United States policy toward Grenada. Hearing, 97th Congress, 2nd session. June 12, 1982. Washington, G.P.O., 1982. 100 p.

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U.S. military actions in Grenada: implications for U.S. policy in the Eastern Caribbean. Hearings, 98th Congress, 1st session. Nov. 2, 3, and 16, 1983. Washington, G.P.O., 1984. 244 p.

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The situation in Grenada. Hearing, 98th Congress, 1st session. Oct. 27, 1983. Washington, G.P.O., 1983. 46 p. (Hearing, Senate, 98th Congress, 1st session, S. Hrg. 98-491)

The United States action in Grenada. American journal of international law, v. 78, Jan. 1984: 131-175.
Contents.--Reflections on the lawfulness of invasion, by C. Joyner.--Grenada and the international double standard, by J. Moore.--International law under time pressure: grading the Grenada take-home examination, by D. Vagts.

Wagner, Geoffrey.
Are we losing Grenada again? One year later. National review, v. 36, Dec. 14, 1984: 32-33.
A part-time resident of Grenada, the author answers the question in the articles' title by discussing what has not been done since the U.S. intervention.

Wheeler, Laura.
The Grenada invasion: expanding the scope of humanitarian intervention. Boston College international and comparative law review, v. 8, summer 1985: 413-430.
"The U.N. General Assembly adopted a resolution 'deeply deploring' the U.S. action and characterizing it as a 'flagrant violation of international law . . . . This article examines the current validity of the right of humanitarian intervention under the U.N. Charter . . . . Discusses the criteria used by legal scholars to determine the propriety of the initiation of an interventionist act and . . . examines the United States' reliance on humanitarian grounds as a justification for the Grenada rescue effort. . . . The sole focus of the article is on the legitimacy of the initiation of the Grenada rescue effort."

e. Nicaragua

Abele, Daniel.
The Soviet commitment to the Sandinistas. [New York] Radio Liberty Research, 1986. 7 p.
"RL 269/86, July 18, 1986"
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Ashby, Timothy.
Nicaragua: Soviet satrapy. United States Naval Institute proceedings, v. 110, July 1984: 48-56.
"Nicaragua is the strategic key to the security of the U.S. southern borders as well as to the global balance of power: the Soviet 'correlation of world forces.' Decisive actions--military, diplomatic, and economic--must be taken to remove what is already a grave threat right on our doorstep." Describes the extent of Russian and Cuban military assistance.

Belli, Humberto.
Center for Constructive Alternatives examines Central American policy with Humberto Belli and colleagues. Imprimis, v. 13, June 1984: whole issue.
Former editorial-page editor of La Prensa in Managua, discusses politics and government and the revolution in Nicaragua. Belli was once an active Marxist in the Sandinista movement.

Beres, Louis Rene.
Ignoring international law: U.S. policy on insurgency and intervention in Central America. Denver journal of international law and policy, v. 14, spring-summer 1985: 76-86.
"The current position of the Reagan administration is grounded exclusively upon geopolitical considerations. As a result, the Reagan administration seriously undermines worldwide respect for the rule of law. The most visible and dramatic manifestations of this country's 'outlaw' behavior are: (1) disregard for the territorial and jurisdictional integrity of another state, and (2) its decision, announced on January 18, 1985, not to participate further in proceedings of the case brought by Nicaragua in the International Court of Justice."

Bernheim, Carlos Tunnermann.
United States armed intervention in Nicaragua and article 2(4) of the United Nations charter. Yale journal of international law, v. 11, fall 1985: 104-138.
"It is the purpose of this Article to demonstrate, factually and legally, how the U.S.-sponsored activities against Nicaragua violate Article 2(4) of the United Nations Charter. Part I of this Article outlines the factual history, from 1981 to the present, of the U.S. role in the funding, planning, and engagement of armed force against Nicaragua. Part II analyzes the legal components of Nicaragua's charge . . . . Part III demonstrates that the U.S. actions are not legitimate under Article 51 of the UN Charter as an exercise of the fight of self-defense. Finally, part IV concludes that there is no other legal justification for these actions in contravention of Article 2(4)."

Bolanos Hunter, Miguel.
Inside Communist Nicaragua: the Miguel Bolanos transcripts. Washington, Heritage Foundation, 1983. 14 p. (Backgrounder no. 294)
Unedited excerpts from a series of interviews with Miguel Bolanos Hunter, former member of the Sandinista State Security apparatus, who became disillusioned and escaped to Costa Rica on May 7, 1983.

Bono, Agostino.
A revolution in our own backyard. Worldview, v. 23, Aug. 1980: 24-25.
"Despite problems, a foundation has been laid for firm U.S.-Nicaraguan relations . . . . Nicaraguan officials call current relations between the two countries normal and positive."

Booth, John A.
War and the Nicaraguan revolution. Current history, v. 85, Dec. 1986: 405-408, 432-434.
"United States pressure has forced Sandinista leaders to adjust and innovate in order to defend their regime, but it also appears to have strengthened rather than weakened their will and capacity to rule."

Brownstein, Ronald.
Reagan reaches out for public support for CIA aid to Nicaraguan insurgents. National journal, v. 17, Apr. 13, 1985: 784-789.
"The White House is making an all-out effort to mobilize public support for his Nicaraguan policies and to pressure Congress on behalf of aid to the contras."

Brumberg, Abraham.
Nicaragua: the inner struggle: is there still a chance for political pluralism? Dissent, v. 33, summer 1986: 294-303.
The author examines the Nicaraguan situation and the sweeping provisions of the State of Emergency imposed in October 1985.

Chamorro, Edgar.
A contra renounces the cause. National reporter, v. 9, winter 1986: 48-54.
"In 1982, Edgar Chamorro was recruited by the CIA to leave his Miami home and become the political director of the Nicaraguan Democratic Force (FDN)--the rag-tag 'contra' band . . . . By November of 1984, Chamorro's illusions about the democratic potential of the contras were dashed . . . . In late 1985, he told his story to the international World Court."

Chayes, Abram.
Nicaragua, the United States, and the World Court. Columbia law review, v. 85, Nov. 1985: 1445-1482.
"Considers the more general objections againt resort to the Court in the circumstances, based on the objections' implications both for the court and for international law." The United States maintains that the dispute is "an inherently political problem that is not appropriate for judicial resolution."

Christian, Shirley.
Nicaragua, revolution in the family. New York, Vintage Books, 1986, c1985. 337 p.

Collier, Peter. Horowitz, David.
Another "low dishonest decade" on the Left. Commentary, v. 83, Jan. 1987: 17-24.
Assesses radical politics in the 1980s, comparing it to poet W. H. Auden's description of the 1930s as a "low dishonest decade." Focusing on Central America and Nicaragua in particular, the authors conclude that "the post-Vietnam Left is effective because of its deceitful layering of the apparatus through which it works and also because it has found a way to support totalitarian movements while appearing to be interested only in improving America's international morality."

Coraggio, Jose Luis. Irvin, George.
Revolution and pluralism in Nicaragua. Millennium, v. 13, summer 1984: 194-204.
"The present paper is divided in five sections. These deal in turn with: the nature of the social revolution and the meaning of 'pluralism' in Nicaragua; the impact of external threat . . . mobilisation and participation as part of the institutionalisation of democracy within civil society; the 'bourgeois question'; and finally the electoral process itself."

Cruz, Arturo J.
Nicaragua's imperiled revolution. Foreign affairs, v. 61, summer 1983: 1031-1047.
The author, who served the Nicaraguan revolutionary government as its Ambassador to the U.S., examines the areas where "the revolution has gone wrong". He suggests "the present crisis is a monster with two heads. One of them is underdevelopment and social injustice. To deal with it, social reforms and financial assistance are required. However, this will be a futile effort if the other head--violence--is not also severed."

D'Escoto Brockman, Miguel.
An interview with Miguel d'Escoto Brockman, Foreign Minister of Nicaragua. America, v. 153, Nov. 16, 1985: 318-323.

D'Escoto, Miguel. Kirkpatrick, Jeane J.
D'Escoto/Kirkpatrick. New York, WNET/Thirteen, 1982. 7 p.
The MacNeil/Lehrer Report, Feb. 4, 1982.
Televised interview with Miquel D'Escoto, Foreign Minister of Nicaragua, and Jeane Kirkpatrick, U.S. Ambassador to the United Nations.

Diuguid, Lewis H.
A letter from Nicaragua. Washington post, June 1, 1986: 6-9, 15-18.
"To Nicaraguan nationalists, the memory of American intervention is a dominant factor in their conflict with the Reagan administration. The ideology of the Sandinista government, and more particularly its performance, are divisive issues . . . . And the U.S. trade embargo or increased aid to the contras seems to only rally support for the government the White House seeks to weaken." Considers sentiment in the city of Leon, Nicaragua about American involvement in Nicaragua.

Documents on the Nicaraguan resistance: leaders, military personnel, and program. Washington, U.S. Dept. of State, Bureau of Public Affairs, 1986. 15 p. (Special report no. 142)
"This Special Report contains a collection of basic documents and data pertaining to the character of the Nicaraguan democratic resistance."

Gleijeses, Piero.
Resist romanticism. Foreign policy, no. 54, spring 1984: 122-138.
"Only massive U.S. military intervention can bring down the Sandinista government. But Washington would then become mired in a long and bloody guerrilla war. Whatever the Reagan administration's deepest wishes, domestic political constraints appear to rule out an intervention that would cost many American lives. Nicaragua is not Grenada. Yet the Reagan administration shows scant interest in negotiations that would leave a Marxist regime in place in Nicaragua in exchange for foreign-policy concessions."

Gorman, Stephen M.
Sandinista chess: how the Left took control. Caribbean review, v. 10, winter 1981: 14-17, 54.
An attempt to explain how the Sandinista National Directorate (DNC) succeeded in establishing leftist control of the government composed of several groups with wildly different interests and political orientations.

Henry, Neil.
Inside the revolution: a reporter's search for the spirit of Nicaragua. Washington post magazine, Sept. 29, 1985: 6-9, 21-25.
An account of the author's three week stay in Nicaragua with the self-named "brigadistas," a collection of Americans who harvested coffee beans as a service to the Sandinista revolution.

Holland, Edward.
Nicaragua: after the revolution. Atlantic monthly, v. 246, Aug. 1980: 16-19, 22.
"The proud and victorious Sandinistas govern a ravaged country, and they look nervously over their shoulders for signs of counter-revolution."

Hollyday, Joyce. Wallis, Jim.
A fragile experiment. Sojourners, v. 12, Mar. 1983: 8-13.
Surveys the recent history of Nicaragua and concludes "we believe that something unprecedented in Central America is happening in Nicaragua. What Nicaragua most needs is a chance--to solve its own problems, to make its own mistakes, to live without an enemy on its border--and for the first time in a very long time to determine its own future."

How to free Nicaragua. Conservative digest, v. 11, Apr. 1985: 4-12.
Contents.--U.S. alternatives.--An "all-out struggle" for a free Nicaragua: an exclusive interview with Arturo Cruz.--The Soviet-Cuban connection.--The Sandinista betrayal.--The Monroe Doctrine: still valid.

Hutchinson, John.
Here we come? Here we go? National review, v. 36, Feb. 24, 1984: 28-31, 36, 38.
"Nicaragua is the key to peace and freedom in the region, to the preservation of the constitutional option all the way to the northern Mexico border."

Ingraham, J. H.
Reality in Nicaragua. New American, v. 2, Mar. 24, 1986: 21-26.
Author presents reflections on a recent trip to Nicaragua, describing the lifestyle of the people and church. Focuses on the need for the U.S. to change its policy regarding aid to the Contras. "Congress must do more than save the Contras and Nicaragua. It must reverse our overall foreign policy."

Jenkins, Tony.
Nicaragua's disloyal opposition: waiting for Uncle Sam. Nation, v. 242, Apr. 12, 1986: 505, 520-522.
The principal conservative opposition, the Democratic Coordinating Committee (C.D.N. or the Coordinadora) of four parties "should abandon its fantasy of a U.S.-invasion or a contra victory, to join the domestic political debate and electoral process", argues the author.

Joyner, Christopher C. Grimaldi, Michael A.
The United States and Nicaragua: reflections on the lawfulness of contemporary intervention. Virginia journal of international law, v. 25, spring 1985: 621-689.
"This article examines the propriety under international law of alleged U.S. intervention in Nicaragua for the purpose of preserving democratic values in the region. Specifically, does international law currently prohibit, as an unlawful form of intervention, policies purportedly designed by the U.S. Central Intelligence Agency (CIA) to thwart an antithetical ideological regime in a sovereign state?"

Kemble, Penn. Cruz, Arturo J., Jr.
How the Nicaraguan resistance can win. Commentary, v. 82, Dec. 1986: 19-29.

Kirkpatrick, Jeane J.
Marxist totalitarianism in our hemisphere: Nicaragua. World affairs, v. 145, spring 1983: 347-367.
"Statement by Ambassador Jeane J. Kirkpatrick, United States Permanent Representative to the United Nations, in the Security Council, on the Complaint of Nicaragua, March 23, 1983."

Kondracke, Morton.
Path to disaster? Guerrilla diplomacy in Nicaragua. New republic, v. 188, Apr. 25, 1983: 8-9.
Contends that "the United States is risking disaster--another Bay of Pigs and possibly worse--by giving aid to rightist guerrillas bent on overthrowing the government of Nicaragua."

Leiken, Robert S.
The battle for Nicaragua. New York review of books v. 33, Mar. 13, 1986: 43-52.
Reviews the political and economic situation after the elections of November 1984, and examines the contra movement in great detail.

LeoGrande, William M.
The revolution in Nicaragua: another Cuba? Foreign affairs, v. 48, fall 1979: 28-50.
"Whether Nicaragua becomes 'another Cuba' will depend in no small measure on whether the United States reenacts the mistakes it made 20 years ago in its relations with the first Cuba."

Rollback or containment? The United States, Nicaragua, and the search for peace in Central America. International security, v. 11, fall 1986: 89-120.
"The aim of this article is to chronicle the various efforts to achieve a diplomatic settlement of the conflict between Nicaragua and its Central American neighbors."

MacEoin, Gary.
Nicaragua: can the U.S. tolerate moderation? Cross currents, v. 32, winter 1982-1983: 399-407, 460.
Reviews the politics and government, relations with the U.S., and economic and social conditions. Notes that "Reagan's support of Somoza's ex-National Guard, augmented by Cuban exile and Argentine mercenaries, had defined the issues and split the country on class lines. The eighty percent who for the first time has a voice in their destiny would risk everything rather than return to the tyranny of the oligarchy."

Millett, Richard L.
Nicaragua's frustrated revolution. Current history, v. 85, Jan. 1986: 5-8, 38-39.
"In Nicaragua, 'rebuilding a society turned out to be much difficult in reality than in theory, and resisting pressure from the United States was becoming a struggle without end. The Sandinista revolution, justified in the name of restoring true sovereignty to Nicaragua, had succeeded only in transforming the nation into a pawn in the international game of power politics.'"

Misconceptions about U.S. policy toward Nicaragua. Washington U.S. Dept. of State, 1985. 23 p. (Publication 9417; Inter-American series 117)
The pamphlet answers a number of misconceptions with the facts.

Moore, John Norton.
The secret war in Central America and the future of world order. American journal of international law, v. 80, Jan. 1986: 43-127.
Examines international law prinicples surrounding the "Cuban-Nicaraguan secret war against neighboring states."

The secret war in Central America and the future of world order. World affairs, v. 148, fall 1985: whole issue (75-130 p.)
Contents.--Background of the Central American conflict.--Legal issues in the conflict.--Recurrent misperceptions.--Strengthening world order.

Muravchik, Joshua.
The Nicaragua debate. Foreign affairs, v. 65, winter 1986-87: 366-382.
"After five grueling debates within the compass of five months in 1986, the U.S. Congress agreed to President Reagan's request for military aid for the rebels fighting Nicaragua's Sandinista government. Whatever this decision may herald for Nicaragua, for the United States it signals a further loosening of the constraints that have bound U.S. policy since the trauma of Vietnam."

Nicaragua's slow march to communism. This world, no. 13, winter 1986: 27-45.
"Nicaragua is not now a Communist country, unless that term is stretched beyond its usual meaning . . . . On the other hand, Nicaragua is a country ruled by Communists, and solely by Communists, whose unanimous and unswerving goal is to turn it into a totalitarian state. They are, however, proceeding slowly and carefully, ever mindful of the history of U.S. intervention in their country."

Morton, John F.
Nicaragua. United States Naval Institute proceedings, v. 111, June 1985: 49-55.
"Without resolve, without a strong, focused politico-military effort behind our diplomacy in Central America, the Sandinista regime will continue to use its diplomacy to up the ante," concludes the author.

Nicaragua: an ally under seige. Washington, Council on American Affairs, [1978] 148 p.
Partial contents.--Revolutions and the Marines: the United States and Nicaragua in the early years, by J. Tierney, Jr.--Nicaragua & U.S. Latin American policy, by J. Gayner.--Human rights and revolution: a case study in moral confusion, by J. St. John.--The Nicaraguan economy, by W. Schneider, Jr.--Economic freedom in Nicaragua, by O. Scott.--Economic aid to Nicaragua: should it be continued? by C. Curtis.

Nicaragua: the Sandinista people's revolution; speeches by Sandinista leaders. Edited by Bruce Marcus. New York, Pathfinder Press, c1985. 412 p.
"The leaders of Nicaragua's Sandinista revolution speak for themselves in these pages. In speeches to audiences both in Nicaragua and abroad, Daniel Ortega, Sergio Ramirez, Tomas Borge, Jamie Wheelock, Victor Tirado, Magda Enriquez, and others explain what the Nicaraguan workers and peasants have set out to accomplish since their 1979 victory over the U.S.-backed Somoza tyranny. In more than forty speeches and documents, they explain what it means to have a government that represents working people, and why the vast majority of Nicaraguans are willing to fight and die to defend their revolution. These pieces recount events from the period of the massive escalation of the U.S. war against Nicaragua between early 1982 and the end of 1984. Many materials appear here in their first English translation."

Nicaragua under siege. Edited by Marlene Dixon and Susanne Jonas. San Francisco, Synthesis Publications, 1984. 234 p.
Contents.--Reagan's escalating war: from economic strangulation to CIA attack.--The regional context.--Nicaragua's search for peace.--Defending the revolution.--Christians and the revolutionary state.--Democracy in the new Nicaragua.--Perspectives on revolution, intervention, and negotiations.

Nicaragua vs. the Contras. World press review, v. 33, Sept. 1986: 19-24.
Partial contents.--The pressures intensify, by Peter Ford.--Criticism from within, by Jean-Claude Buhrer.--A people under siege, by Bob Levin.--Chasing rainbows, by Maria Elena Hurtado.

Nicaragua vs The United States before the International Court of Justice. World affairs, v. 148, summer 1985: whole issue (71 p.)
Partial contents.--Soviet arms and Central American turmoil, by Albert R. Coll.--World Court: rulings on the use of force in the context of a global power struggle, by Harry H. Almond, Jr.--Senator Moynihan and the World Court, by C. Dickerman Williams.--Fact finding by the World Court, by Bruce Rashkow.--Why bow to the World Court when few others do, by Allan Gerson.

The Nicaraguan peace process: a documentary record. Washington, U.S. Dept. of State, Bureau of Public Affairs, 1985. 10 p. (Special report no. 126)
Contents.--The Contadora framework.--Nicaraguan calls for dialogue.--President Reagan's proposal.--Initial regional support.--Chronology.

Niedergang, Marcel.
Nicaragua--countdown to another Cuba? Le monde [Manchester guardian weekly] v. 127, Aug. 1, 1982: 12, 14.
"Marcel Niedergang, who was recently in Nicaragua, describes the mounting tension in Central America and the problems the Sandinista government is having to face both inside the country and outside."

Nietschmann, Bernard.
The unreported war against the Sandinistas. Policy review, no. 29, summer 1984: 32-39.
"6,000 Indian guerrillas are fighting for their land."

Nolan, David.
FSLN: the ideology of the Sandinistas and the Nicaraguan Revolution. Coral Gables, Fla. (P.O. Box 248123, Coral Gables 33124), Institute of Interamerican Studies, Graduate School of International Studies, University of Miami, c1984. 203 p.

Perspectives on Nicaragua. Commonweal, v. 110, Apr. 22, 1983: 234-224.
Contents.--The revolution & democracy, by D. Meier and R. PiRoman.--Voices of the opposition, by J. Cassidy.--The Sandinista case, by V. Pulley.

Pallais, Maria.
The Sandinists under pressure. Nation, v. 235, Oct. 30, 1982: 426-428, 430.
"The situation in Nicaragua is bleak. The Sandinist government has been unable to establish a coherent system capable of fulfilling its democratic principles or to make far-reaching structural changes. It has not solved the country's severe economic problems and probably cannot without significant outside help," reports this journalist upon return from a visit to Nicaragua.

Pandolfe, Frank C.
The role of the United States in Nicaragua from 1912-1933. Fletcher forum, v. 9, summer 1985: 401-429.
"Recent United States involvement in the Central American and Caribbean region has focused national attention on the issue of U.S. intervention in foreign countries. In this article Frank C. Pandolfe traces U.S. activities in Nicaragua from 1912-1933. He argues that it is only through an analysis of past United States relations with Nicaragua that we can fully understand present problems between the two countries."

Pastora Gomez, Eden.
Nicaragua 1983-1985: two years' struggle against Soviet intervention: Eden Pastora Gomez and the Democratic Revolutionary Alliance (ARDE). Journal of contemporary studies, v. 8, spring/summer 1985: 5-19.
"A statement by the Nicaraguan anti-Communist revolutionary Eden Pastora Gomez, popularly known as Commander Zero . . . . Pastora is no armchair theoretician; his is the impassioned idiom of a committed freedom-fighter who has been forced to the bitter conclusion that the struggle for democracy that he once waged against Somoza must now be carried out with equal fervor against the new tyrants in Managua."

Payne, Douglas W.
The "mantos" of Sandinista deception. Strategic review, v. 13, spring 1985: 9-20.
"The history of the Sandinista movement--from its 1961 genesis in the revolutionary underground of Nicaragua, through military victory in 1979, to the continuing image projected by the Managua regime today--is the story of how a small 'vanguard' of dedicated Marxist-Leninist professionals has invoked, deliberately and brilliantly, the tactics of deception to shroud its identity and the usurpation of a popular and democratic revolution."

Philip, George.
The Nicaraguan conflict: politics and propaganda. World today, v. 41, Dec. 1985: 222-224.
"The propaganda war has obvious implications for the way in which Central America is perceived in other parts of the world. These perceptions may ultimately matter far more than events within the region itself: Nicaragua is a case in point. Here, the propaganda conflict is particularly acute because the Sandinista government is seeking international support with at least as much energy as is Washington."

Pulley, Van.
The Reagan plan for Nicaragua. America, v. 148, Mar. 19, 1983: 208-210.
The author suggests that U.S. policy toward Nicaragua "is a causal factor, or at least provides a convenient excuse for, the stepped-up militarization in Nicaragua. If the United States continues militarily and diplomatically isolating the F.S.L.N., the Sandinists will have everything to gain from moving closer to the Soviet Union or aiding friendly movements in neighboring countries. Pushing the Sandinists into such a position will be more regionally destabilizing than simply allowing the Nicaraguan experiment to rise or fall on its own merit."

Radosh, Ronald.
Darkening Nicaragua. New republic, v. 189, Oct. 24, 1983: 7-12.
"Democracy, Sandinista-style, includes a great deal of slogan-chanting and rock-throwing, but not much liberty. Nicaragua is still far from totalitarianism; La Prensa, though censored, still publishes, and a kind of opposition, though anemic, still functions. But the signs are bad, the drift highly disturbing."

Radu, Michael.
The origins and evolution of the Nicaraguan insurgencies, 1979-1985. Orbis, v. 29, winter 1986: 821-840.
"An attempt to provide a fuller picture both of what is behind and what is at stake in the Nicaraguan civil war."

Reagan, Ronald.
Nicaragua: aiding the Contras. Vital speeches of the day, v. 52, Apr. 15, 1986: 386-389.
In this speech, delivered on Mar. 16, 1986, President Reagan discusses reasons for supporting the Contras in Nicaragua. "For our own security the United States must deny the Soviet Union a beachhead in North America . . . . The democratic resistance fighting in Nicaragua is only asking America for the supplies and support to save their own country from Communism."

Reed, Roger.
Nicaraguan military operations and covert activities in Latin America. [Washington] Council for Inter-American Security, 1982. 34 p.
Partial contents.--Open attacks.--Subversion.--In El Salvador.--In Guatemala.--In Honduras.--In Costa Rica.--Internal repression.--The new Nicaragua: sanctuary for international terrorism.

"Revolution beyond our borders": Sandinista intervention in Central America. [Washington] U.S. Dept. of State, 1985. 49 p. (Special report no. 132)
Contents.--What the controversy is about.--The praxis of intervention.--The collective responses.--Conclusion.--Appendices.--Chronology.--Former guerrillas.--Nicaraguans in exile.

Rowles, James P.
"Secret wars," self-defense and the Charter--a reply to Professor Moore. American journal of international law, v. 80, July 1986: 568-583.
"In a recent article entitled The Secret War in Central America and the Future of World Order, Professor John Norton Moore, a staunch defender of United States actions toward Nicaragua, sets forth a comprehensive array of factual assertions and legal arguments to support his conclusions that support by the United States of Nicaraguan counterrevolutionaries or 'contras' and its own actions against Nicaragua are justified as collective self-defense under international law . . . . Professor Moore's analysis and conclusions differ sharply from those of the present writer."

Sanchez, Nestor D.
Revolutionary change and the Nicaraguan people. Strategic review, v. 12, summer 1984: 17-22.
"A 'military solution' in Central America is not a choice of U.S. policy, nor is the darkening scenario of regional conflict. Rather, that scenario has been brought about by a revolutionary regime that, spurning both opportunity and its own solemn promises; set out on a predetermined path marked by dogmatic orthodoxy in the repression of Nicaraguan society and by an external role as the regional spearhead of a Soviet-led 'internationalism.' That path has also shunted the Sandinista leaders into a corner".

Sandinista foreign policy: strategies for survival. NACLA report on the Americas, v. 19, May-June 1985: 13-56.
Contents.--Nicaragua: sovereignty and non-alignment, by R. Armstrong.--The limits of friendship: Nicaragua and the West, by R. Matthews.--Lifelines: Nicaragua and the socialist countries, by M. Edelman.

The Sandinistas and Middle Eastern radicals. [Washington] U.S. Dept. of State, 1985. 19 p.
Contents.--The first contacts: training and arms.--Sandinista participation in Middle East terrorism in the 1970s.--The Sandinista revolution and PLO involvement in the late 1970s.--Revolutionary Solidarity: military and economic ties.--The Sandinistas and Libya.--The Sandinista-Iran-Libya axis.--A haven for subversives.

Schroeder, Richard C.
Decision on Nicaragua. Washington, Congressional Quarterly, 1986. 147-164 p. (Editorial research reports, 1986, v. 1, no. 8)
Contents.--Intensified mutual hostility.--Roots of current antagonism.--Persistent foreign influence.

Schwab, Theodore. Sims, Harold.
Revolutionary Nicaragua's relations with the European Communist states, 1979-1983. Conflict quarterly, v. 5, winter 1985: 5-14.
"Following the Sandinista victory in July 1979, Nicaragua developed close ties with the Soviet Union and its satellites. Tracing the development of relations with the European Communist states will enable one to speculate concerning why such ties advanced. It is the contention of this paper that

these relations grew in response to challenges, both internal and external, and in a timely fashion, given the Reagan administration's efforts to destabilize the revolutionary regime."

Shultz, George P.
Nicaragua: will democracy prevail? Department of State bulletin, v. 86, Apr. 1986: 32-39.
"Secretary Shultz's statement before the Senate Foreign Relations Committee on February 27, 1986: the assistance the President requested on February 25 is needed. It is legally, morally, and strategically justified."

Singer, Max.
Can the Contras win? National review, v. 39, Feb. 13, 1987: 30-34.
"Guerrilla wars are long shots at best. The real question about Reagan's Nicaragua policy is not whether it is right, but whether it is working."

Singlaub, John K.
Turning the tide in Central America before Nicaragua becomes a Kremlin fortress. New American, v. 1, Nov. 11, 1985: 27-34.
In this interview General Singlaub assess the current military and geopolitical situation in Nicaragua.

Strother, Robert S.
The new boys in the bunker. National review, v. 31, Nov. 23, 1979: 1494-1496.
"The Sandinista revolution in Nicaragua mirrored the Castro revolution in Cuba in all major respects but one: there was no immediate massacre of the vanquished--for tactical reasons."

Taking exception to 'Covering the Sandinistas." Washington journalism review, v. 4, May 1982: 6-7, 56, 58.
Letters by Alan Riding of the New York Times and Karen DeYoung of the Washington Post, both former correspondents in Central America, challenge the contention of Shirley Christian that their newspapers' coverage of the Sandinista leadership in prerevolutionary Nicaragua was deficient.

U.S. Congress. House. Committee on Foreign Affairs.
Directing the President to provide certain documents to the House of Representatives concerning the use of the $27,000,000 appropriated for humanitarian assistance for the Nicaraguan Democratic resistance; adverse report to accompany H. Res. 395. Washington, C.P.O., 1986. 6 p. (Report, House, 99th Congress, 2nd session, no. 99-585)

The foreign policy implications of arms sales to Iran and the Contra connection. Hearings, 99th Congress, 2nd session. Washington, G.P.O., 1986. 309 p.
Hearings held Nov. 24; Dec. 8, 9, 1986.
This series of hearings is "aimed at clarifying the United States policy initiative toward Iran, since the revelations in recent weeks have raised all kinds of questions and concerns that need to be answered on the record about the formulation, the coordination, and the implemenation of the United States foreign policy."

The mining of Nicaraguan ports and harbors. Hearing and markup, 98th Congress, 2nd session on H. Con. Res. 2980. Apr. 11, 1984. Washington, G.P.O., 1984. 59 p.

President's request for assistance for the Nicaraguan Democratic Resistance; adverse report together with additional and dissenting views to accompany H.J. Res. 540 . . . including cost estimate of the Congressional Budget Office. Washington, G.P.O., 1986. 26 p. (Report, House, 99th Congress, 2nd session, no. 99-483, part 2)
"The Committee on Foreign Affairs, to whom was referred the joint resolution (H.J. Res. 540) relating to Central America pursuant to the International Security and Development Cooperation Act of 1985, having considered the same, report unfavorably thereon, and recommend that the joint resolution do not pass."

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Western Hemisphere Affairs.
Investigation of United States assistance to the Nicaraguan Contras. Hearings and markup, 99th Congress, 2nd session on H. Res. 395, H. Res. 389, H.J. Res. 540. Mar. 5-June 11, 1986.Washington, G.P.O., 1986. 2 v. (122, 93 p.)

Nicaraguan incursion into Honduras. Hearing, 99th Congress, 2nd session. Apr. 8, 1986. Washington, G.P.O., 1986. 95 p.
Hearing examines "conflicting reports surrounding the March 22 Nicaraguan incursion into Honduras . . . . The committee has received contradictory information by our own administration, the Honduran Government and the press on the facts of the incursion and the sequence of events leading up to President Reagan's notification that he would provide $20 million in emergency assistance to Honduras.")

Review of the President's report on assistance to the Nicaraguan opposition. Hearing, 99th Congress, 1st session. Dec. 5, 1985. Washington, G.P.O., 1986. 84 p.

U.S. support for the Contras. Hearing, 99th Congress, 1st session. Apr. 16-18, 1985. Washington, G.P.O., 1985. 374 p.

U.S. Congress. House. Permanent Select Committee on Intelligence.
Joint resolution relating to the additional authority and assistance for the Nicaraguan democratic resistance requested by the President; adverse report to accompany H.J. Res. 540 . . . including cost estimate of the Congressional Budget Office. Washington, G.P.O. 1986. 15 p. (Report, House, 99th Congress, 2nd session, no. 99-483, part 4)

U.S. Congress. Senate. Committee on Appropriations. Subcommittee on Defense.
Hearing on S.J. Res. 106--covert assistance to Nicaragua. Hearing, 98th Congress, 1st session. Washington, G.P.O., 1985. 110 p. (Hearing, Senate, 99th Congress, 1st session, S. Hrg. 99-65)
This hearing includes administration testimony in support of the President's request that Congress approve the obligation of intelligence funds available under PL 98-473 for supporting the democratic resistance movement in Nicaragua.

U.S. Congress. Senate. Committee on Foreign Relations.
U.S. policy toward Nicaragua: aid to Nicaraguan resistance proposal. Hearings, 99th Congress, 2nd session. Washington, G.P.O., 1986. 249 p. (Hearings, Senate, 99th Congress, 2nd session, S. Hrg. 99-645)
Hearings held Feb. 27 and Mar. 4. 1986.

U.S. President (1981- : Reagan)
Aid to the Nicaraguan democratic resistance; message from the President of the United States transmitting further information concerning the request for aid for the Nicaraguan democratic resistance. Washington, G.P.O., 1986. 4 p. (Document, House, 99th Congress, 2nd session, no. 99-185)

Assistance for the Nicaraguan Democratic Resistance; message from the President of the United States transmitting a request for additional authority and assistance for the Nicaraguan Democratic Resistance. Washington, G.P.O., 1986. 9 p. (Document, House, 99th Congress, 2nd session, no. 99-169)

Request for bipartisan support for aid to Nicaragua; communication. Washington, G.P.O., 1986. 10 p. (Document, House, 99th Congress, 2nd session, no. 99-237)

U.S. Dept. of State. Bureau of Public Affairs.
The Sandinista military build-up. Washington The Dept., 1985. 40 p. (Publication 9432, Inter-American series 119)
"Released by the Dept. of State and the Dept. of Defense."

Contents.--The Sandinista military: 1979-1985.--Guerrilla origins.--The build-up begins.--Ground forces.--Air Force and air defense.--Navy.--Cuban and Soviet assistance.--Assistance from--and to--terrorists.--Recruitment and conscription.--Implications.-- Domestic.--Regional.--Strategic.

Ullman, Richard H.
At war with Nicaragua. Foreign affairs, v. 62, fall 1983:39-58.
The Reagan Administration seems "obsessed with Nicaragua," viewing the Sandinistas as carrier of Soviet revolutions in Central America, claims the author. He argues that "to heal the rifts of the region, however, there must ultimately be a multilateral negotiation, involving all the states of Central America."

The U.S. Left and Nicaragua: responses to Michael Massing. Nation, v. 240, Apr. 20, 1985: 456-463.
The answers to an article by Michael Massing in the April 6 issue of The Nation "challenging the U.S. left to discuss the 'important questions about the nature of contemporary revolution' raised by the Nicaraguan experience." The respondents are Richard Barnet, Peter Davis, Richard Falk, William LeoGrande, Allan Nairn, Holly Solar, Ronald Steel and William Appleman Williams. Reply by Michael Massing concludes the comments.

U.S. Nicaraguan policy. Center magazine, v. 18, Nov.-Dec. 1985: 2-8.
"A delegation of members of the Brazilian Senate last summer visited governmental, political, and educational institutions in this country under the sponsorship of the United States Information Agency's International Visitor Program." They, and others, engaged in a dialogue on U.S. Nicaraguan policy. This is a record of their discussion.

Valenta, Jiri. Valenta, Virginia.
Sandinistas in power. Problems of communism, v. 34, Sept.-Oct. 1985: 1-28.
"The Sandinista revolution in Nicaragua shows strong traces of Leninism and Soviet-Cuban influence. Spawned from the pro-Moscow Nicaraguan Socialist Party in the early 1960's, the Sandinista National Liberation Front maneuvered to seize leadership of the broad-based movement that overthrew Anastasio Somoza in July 1979. Since then, the FSLN has moved cautiously but steadily toward Leninist mobilization and social transformation. In the process, the leadership has relied heavily on coercive instruments and on political, military, and economic support from the USSR and its allies."

Violations of the laws of war by both sides in Nicaragua, 1981-1985. New York, Americas Watch Committee, 1985. 98 p.
Contents.--International humanitarian law regime applicable to the conflict in Nicaragua.--Violations of the applicable laws.--The role of the United States.

Western Hemisphere: Nicaragua. Dept. of State bulletin, v. 79, Aug. 1979: 55-63.
"Statements before the Meeting of Consultation of Ministers of Foreign Affairs of the . . . OAS by U.S. Permanent Representative to the OAS Ambassador Gale McGee on June 4, 1979, Secretary Vance on June 21, and Deputy Secretary Warren Christopher on June 23 together with the text of the resolution adopted . . . Also included are the statement by Assistant Secretary for Inter-American Affairs Viron P. Vaky," and Brandon Grove, Jr., Deputy Assistant Secretary for Inter-American Affairs.

Wheeler, Jack.
Fighting the Soviet imperialists. Reason, v. 15, Apr. 1984: 22-30; v. 16, June-July: 28-36; Sept.: 22-30; Feb. 1985: 24-33; v. 17, June-July: 36-44.
A series of first-hand reports of visits to anti-Communist guerilla movements in the field, reporting on, respectively, groups in Angola, Nicaragua, Afghanistan, and Cambodia.

Wilson, Esther.
The battle for democracy in Nicaragua. Washington, Heritage Foundation, 1984. 17 p. (Backgrounder no. 335)
"In 1979, international support of the anti-Somoza revolution was made possible through the presence of the democratic opposition within the Sandinista movement . . . . Now this same opposition, divided into political and military camps, is fighting the takeover of their country by totalitarian forces. The struggle is not between Somocistas and the people; it is between democracy and communist totalitarianism. By supporting the opposition forces, the United States is squarley on the side of democracy."

"Prominent Sandinisata Defectors" are listed in appendix I, and "Excepts from Written Statements of the Opposition" form appendix II.

Wolfson, Adam.
The good, the bad, and the ugly: who's who in Nicaragua. Policy review, no. 33, summer 1985: 58-65.
Brief sketches of prominent leaders of the Sandinista regime.

Zaid, Gabriel.
The Sandinista path: why they are who they are. New republic, v. 192, May 20, 1985: 10-17.

f. El Salvador

Anderson, Thomas P.
El Salvador's dim prospects. Current history, v. 85, Jan. 1986: 9-11, 3 6.
"The disastrous economic situation, combined with the war, has given the United States an overwhelming influence on El Salvador. The three relatively free elections of recent years could hardly have succeeded without American arm-twisting . . . . However, the prospects for this tiny, overpopulated, underdeveloped and war-racked land are dim indeed and, if anything, are growing dimmer."

Araujo, Richard.
Congress and aid to El Salvador. Washington, Heritage Foundation, 1982. 14, A-2 p. (Heritage Foundation, Washington, D.C. Backgrounder no. 173)
Analyzes the question of human rights, economic and political reforms, free elections, and the murder of six U.S. citizens in El Salvador, issues that affect Congressional policy debate about aid to El Salvador.

Arbuckle, Tammy.
Same hardware, same tactics, same conclusion in El Salvador? Armed Forces journal international, v. 123, Dec. 1985: 46, 48, 52, 56, 58.
"This no-win situation does not, as some US military sources suggest, stem solely from Salvadoran misapplication of US counterinsurgency strategy. It is traceable to serious flaws in American military counterinsurgency strategy itself--mistaken strategic priorities; 'top-down' offensive planning; static, unconcealed defenses; and inappropriate military aid."

Arnson, Cynthia.
El Salvador: a revolution confronts the United States. Washington, Institute for Policy Studies, 1982. 118 p.
Traces the present political, economic, and social situations from antecedents in the late nineteenth century when the introduction of coffee growing transformed the country's agarian structure. Considers reactions from the U.S. and relations with U.S.

Baloyra, Enrique A.
Negotiating war in El Salvador: the politics of engame. Journal of inter-American studies and world affairs, v. 28, spring 1986: 123-147.
"The Reagan Administration, by pursuing its own agenda in Central America, is not always helpful. The administration favors an outright military victory and is skeptical of any political settlement with the rebels. There is no question that the military aspect of the Salvadoran civil war is entwined with the regional conflict; but some of the Reagan policies, which were designated to cope with Nicaraguan interventionism, have had the side-effect of exacerbating the border dispute between El Salvador and Honduras. Therefore there are discrepancies in the ways in which Mr. Duarte and Mr. Reagan deal with these external linkages."

Berryman, Phillip.
Another view of El Salvador. Dissent, v. 29, summer 1982: 352-359.
The author critiques the article by Gabriel Zaid, "Enemy colleagues," which appeared in the winter 1982 issue of Dissent. He argues that Zaid "virtually ignores the most important political force in El Salvador, the popular organizations that grew up in the early and mid-1970s." Zaid's reply to Berryman's critique is appended to the article.

Bonner, Raymond.
The agony of El Salvador. New York times magazine, Feb. 22, 1981: 26-31, 35-36, 38, 40, 42-45.
Describes political violence in El Salvador and the controversy in the U.S. over what policies should be pursued in that country.

Brackley, Dean.
Dying and rising in El Salvador. America, Aug. 24, 1985: 84-86.
"A negotiated settlement is unlikely, and the violence continues. Yet hope for El Salvador's resurrection lives in the spirit of the poor."

Chavez, Lydia.
The odds in El Salvador. New York times magazine, July 24, 1983: 14-19, 48.
"A small group of American military advisers has been placed at the outer edges of American foreign policy, charged with the task of helping the government of a strategic country defeat a Communist-led insurgency described by the Administration as a threat to the security of the United States . . . . Whatever the differences between Vietnam and El Salvador, they are determined not to repeat the mistakes of the past. They are also painfully aware of the odds against them."

Christian, Shirley.
El Salvador's divided military: are we supporting murderers or reformers? Atlantic monthly, v. 251, June 1983: 50-53, 57-60.
The military in El Salvador "is at war as much with itself as with guerrillas . . . . Without a clearer message from the United States, the officers may be unable to agree on what to do next."

Cooper, Marc.
Can Duarte last two more years? Nation, v. 242, May 24, 1986: 713, 728, 730-731.
"The U.S. and Salvadoran governments' pursuit of a military solution to the war makes impossible any reconciliation with the guerrillas . . . . Duarte's vanishing social base reduces any potential bargaining power he has with his generals, making him an ever more pliant instrument of the military," concludes the author.

Documents from El Salvador. Contemporary Marxism, no. 3, summer 1981: 5-22.
Contents.--The role of unity in the revolutionary war: an interview with Juan Chacon.--An interview with Salvador Cayetano Carpio ("Marcial"), by A. Gilly.--The Salvadorean struggle: an international conflict, by F. Cienfuegos.--The first phase of the general offensive, by R. Menjivar.

Duarte: prisoner of war. NACLA report on the Americas, v. 20, Jan./Mar. 1986: 13-39.
Contents.--The first circle: the United States--The second circle: the Armed Forces.--The third circle: the FMLN.

El Salvador. Foreign policy, no. 43, summer 1981: 71-103.
Contents.--El Salvador: the current danger, by L. Gomez and B. Cameron.--Chossing to win, by W. Thompson.--A view from the church by J. Hebir.--Mexico's position, by O. Pellicer.

El Salvador: Central America in the new Cold War. Edited by Marvin E. Gettleman, Patrick Lacefield, Louis Menashe, David Mermelstein, and Ronald Radosh. New York, Grove Press, 1981. 397 p.
Contents.--Seeing Red: the Reagan Administration looks at the world.--Social forces and ideologies in the making of contemporary El Salvador.--El Salvador: aspects of the present crisis.--The decision to intervene.--The "dominoes" of Central America.--Policy perspectives on El Salvador and Central America.--Farewell, Monroe Doctrine.
Introductory essays for each topic and a bibliography are provided.

Finn, James. McColm, Bruce.
El Salvador in perspective. Journal of contemporary studies, v. 6, fall 1983: 73-90.
"El Salvador's future depends not only on the reconciliatin of the contending internal forces but also, and most notably, on the policies of the United States. The U.S. domestic confusion over events in El Salvador and the political debate over the appropriate strategy toward that country have presented a sharp challenge to American policymakers."

Forche, Carolyn.
El Salvador: the next Vietnam? Progressive, v. 45, Feb. 1981: 27-29.
Discusses the possible United States military involvement in El Salvador.

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"Current labor dynamics offer a possible basis for a permanent peace by showing where the guerrillas might find a dignified place to work in a postwar society."

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"The crisis in El Salvador is both a domestic struggle for control of the socio-economic system via state power, and a focal point of the strategic policy of the United States in Central America and the Caribbean vis-a-vis the forces of socialism. These two aspects of the current crisis in El Salvador, the domestic class conflict and its internationalisation by external forces, are in reality closely related facets of one organic phenomenon."

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"What is proposed here is a sequence of steps: (1) achieving significant reform of the Salvadoran military by determined U.S. pressure; (2) the initiation of a dialogue between a partially reformed military, on the government side, and the leaders of the guerrilla opposition--looking toward a truce and leading, after such a truce, to (3) the formation of a Government of Transition in which power would be shared by the contending forces . . . Such a transition government would then operate for a period of two or three years, leading finally to (4) the holding of nationwide elections."

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Reviews the tradition of political violence in El Salvador. Contends that there is little support for Leftist political forces among ordinary Salvadorans. Suggests that "to allow them to hold power simply because they've proven capable of mounting a creditable war effort--because they can endanger the lives of innocent Salvadorans day or night--would be to repudiate the very principles of legality, democracy, and freedom on which every opponent of the Duarte regime predicates his criticism."

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they have been reluctant to do so in the U.S. 'backyard.' This distinction will have to be made if the U.S. is to live peaceably with its southern neighbors. By ignoring this distinction and by its wholesale opposition to the entire Central American Left, U.S. policy pushes the non-aligned Left into the arms of those who are pro-Soviet."

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"The insidious nature of the indirect aggression now going on raises the question of whether the democratic governments in the area can respond effectively to this form of challenge. It also raises the question of what is the proper policy for this democracy."

Dominguez, Jorge I. Lindenberg, Marc.
Central America: current crisis and future prospects. New York, Foreign Policy Association, 1984. 80 p. (Headline series, no. 271)

Contents.--Introduction.--The contesxt for crisis.--Nicaragua and El Salvador: centers of controversy.--Scenarios for the next five years.--Does Central America matter?--U.S. policies, interests and options.

Edwards, Mike.
Honduras: eye of the storm. National geographic magazine, v. 164, Nov. 1983: 608-636.

Falcoff, Mark.
How to understand Central America. Commentary, v. 78, Sept. 1984: 30-38.

"The Central American controversy is really the latest installment in a fifteen-year-old civil war between two branches of the foreign-policy establishment and its affiliates over the proper uses of U.S. power; over the the causes of political insurgency; over the moral and political character of 'revolutionary' regimes in the third world; and, preeminently, over the nature of security threats to the United States and the proper measures to meet them."

Regional diplomatic options in Central America. AEI foreign policy and defense review, v. 5, no. 1, 1984: 54-61.

"Any diplomatic solution to the problems in Central America must satisfy three criteria: (1) it must be workable--and for more than a few weeks; (2) it must be acceptable to the countries whose fates are therein decided; and (3) it must accord with our own national values of pluralism, democracy, and self-determination."

Felton, John.
Central America: special report. Congressional quarterly weekly report, v. 41, Dec. 31, 1983: 2767-2780.

Examines problems of Central America and examines some possible solutions.

Contents.--Instant U.S. cures not likely for Central America's woes.--Tapestry of economic and political troubles.--Alternatives pursued for regional stability.

Geyer, Georgie Anne.
Central America: reflections on a region. Washington quarterly, v. 7, winter 1984: 138-144.

"At the very heart of the U.S. Central American quagmire lies our painful failure to realize, one administration after another, the intrinisic qualities and authentic nature of the struggle in Latin America."

Grabendorff, Wolf.
The Central American crisis: is there a role for Western Europe? Millennium, v. 13, summer 1984: 205-217.

"In order to understand the West European preoccupation with Central America, one first has to understand that there are two competing perceptions of the nature of the crisis: one based on the problems related to economic and social development; the other related to security questions

. . . . Both the left and the right see the conflict in the context of the role of the US; imperialism and intervention vs. free world leadership and fighting Soviet expansionism."

Guatemala: the roots of revolution. Latin America update, Feb. 1983: 1-19.
Partial contents.--The economics of poverty.--Growth and misery.--The politics of privilege.--The United States thwarts reform.--U.S. military assistance.--An armed resistance arises.

Horowitz, Irving Louis.
Passion and compassion: the conflict in Central America. Caribbean review, v. 14, winter 1985: 23-25, 45.
Discusses U.S. relations with Central America within the context of the East-West power struggle. "The quiet race goes on. Central America is now part of the struggle for power as a whole."

Lernoux, Penny.
Nicaragua's Miskitos. Nation, v. 241, Sept. 14, 1985: 202-206; Sept. 28: 275-277.
Contents.--Part I. Strangers in a familiar land.--Part II. The Indians and the Comandantes.

Nicaragua--centuries of torment. This world, no. 6, fall 1983: 29-70.
Contents.--I. Nicaraguan anguish and Costa Rican progress, by L. Harrison. --II. Somoza, Sandino and the United States: what the past teaches--and doesn't, by M. Falcoff.

The Nicaraguan peace process: a documentary record. Washington, U.S. Dept. of State, Bureau of Public Affairs, 1985. 10 p. (Special report no. 126)
Contents.--The Contadora framework.--Nicaraguan calls for dialogue.--President Reagan's proposal.--Initial regional support.--Chronology.

Orentlicher, Diane.
Honduras: a crisis on the border: a report on Salvadoran refugees in Honduras. Washington, Lawyers Committee for International Human Rights, 1985. 117 p.
Contents.--Overview: recent history and current conditions of Salvadoran refugees.--Repatriation.--The UNHCR: a limited mandate.--Relocation.--The border incidents.--Lessons for the future.--Behind the scenes: the United States.

Preston, Julia.
Killing off the news in Guatemala. Columbia journalism review, v. 20, Jan.-Feb. 1982: 33-35.
Examines the difficulties facing foreign correspondents in reporting on guerrilla war and political violence in Guatemala.

Seitz, Cathy.
The Central American conflict: a bibliography. Reference Services Review (RSR), v. 14, no. 1, spring 1986: 65-83.
This annotated bibliography tries "to include every adult-level book published and currently available in the United States that addresses some aspects of the present situation. Some materials, such as government- and church-sponsored publications, are included because of their importance."

Serrano, Jorge.
Three studies on Central America: an introduction. International peace research newsletter, v. 23, Oct. 1985: 2-14.
Contents.--Central America 1985: between peace and war, by R. Cordova and R. Benitez.--The Church in Central America: Guatemala and El Salvador, by M. Concha.--Contadora in Central America, by L. Pino.

U.S. Congress. Senate. Committee on Foreign Relations.
The situation in Central America. Hearing, 99th Congress, 1st session. Apr. 19, 1985. Washington, G.P.O., 1986. 41 p. (Hearing, Senate, 99th Congress, 1st session, S. Hrg. 99-471)

U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Western Hemisphere Affairs.
Situation in Panama. Hearings, 99th Congress, 2nd session. Washington, G.P.O., 1986. 209 p. (Hearing, Senate, 99th Congress, 2nd session, S. Hrg. 99-832)
Hearings held Mar. 10 and Apr. 21, 1986.

Valero, Ricardo.
Contadora: the search for peace in Central America. Washington quarterly, v. 9, summer 1986: 19-32.

"Contadora has traveled under the double sign of Janus. It has faced outright opposition which threatens its success; on the other hand it has received encouragement which strengthens its hopes and objectives."

Villagran Kramer, Francisco.
Central America in transition: from the 1960s to the 1980s. Washington, Smithsonian Institute, Wilson Center, Latin American Program, 1981. 18 p. (Working paper no. 90)

A former vice-president of Guatemala notes that "Central America has undergone basic and important changes during the past two decades. Those changes serve to explain the present turmoil in an area which was once considered to consist of 'banana republics' and which today faces dynamic processes and ideological confrontations. Changes began taking shape as a result of an economic-integration program originally sponsored by ECLA (United Nations), in which the region embarked on an effort to modify the traditional agricultural export model of one or two basic products (coffee and/or bananas), moving toward diversification and import substitution, and establishing a common market for these purposes."

Weiner, Lauren.
The Contadora process: something for everyone, solving nothing. National interest, no. 4, summer 1986: 65-73.

Contadora built the peace negotiation process upon three concepts: non-interference, self-determination, and pluralism. "Progress or no progress, Contadora will be kept alive by the administration's opponents and by the Latin Americans and Central Americans . . . and by the Sandinistas, who have a periodic need to cut a moderate figure internationally."

Whelan, James R.
Through the American looking glass: Central America's crisis. [Washington] Council for Inter-American Security [c1980] 87 p.

The author attempts "to document the claim that Central America's five republics, to varying but generally comparable degrees, were in 1977 'stable, prospering, progressive--and firmly allied to the United States.' Next, . . . he examines the role of the United States in transforming the promise of 1977 into the agony of 1980. There have, to be sure, been other external factors--natural and man-made . . . Next he deals in some detail, with recent events in the two countries--Nicaragua and El Salvador, where U.S. 'revisionism' has been applied most badly, with the most catastrophic results so far."

3. South America

Agricultural alternatives for the Amazon Basin. BioScience, v. 35, May 1985: 279-285.

"In the Amazon Basin, US and Peruvian researchers have developed ecologically sound and economically valid technologies to produce annual crops continuously on acid and infertile soils normally under shifting cultivation. If farmers use these technologies, they could increase food production and help reduce deforestation.

Bagley, Bruce Michael. Tokatlian, Juan Gabriel.
Colombian foreign policy in the 1980s: the search for leverage. Journal of inter-American studies and world affairs, v. 27, fall 1985: 27-62.

"This paper seeks to explain why this dramatic shift in Colombia's international posture occurred with the transition from Furbay to Betancur. It traces the evolution of the Betancur administration's more autonomous foreign policy during the first three years of his government (1982-1985), with particular emphasis placed on Colombia's entry into the Non-Aligned Movement, its role in Contadora and its bilateral relations with the United States."

Becker, David G.
Peru after the "revolution": class, power, and ideology. Studies in comparative international development, v. 20, fall 1985: 3-30.

Brooke, Jim.
Dateline Brazil: southern superpower. Foreign policy, no. 44, fall 1981: 167-180.
Describes Brazil's drive to increase her influence in Latin America and Africa through aggressive trade programs and political and military policies. Reviews Brazil's internal political and economic problems. Surveys relations between Brazil and the United States.

Buchanan, Paul.
Argentina: at the threshold in the Southern Cone? Arms control today, v. 9, Oct. 1979: 4-7.
"Argentina has all the major characteristics of a nuclear threshold state. It has an advanced nuclear research program, ample uranium reserves . . . a substantial industrial base, plus . . . a military government that has demonstrated that it is not adverse to threaten or utilize force."

Chavez, Lydia.
Alfonsin's one-man show. New York times magazine, Dec. 15, 1985: 52, 70, 75, 77-78, 83-84.
"Argentina's civilian President strives for economic stability and military support."

Chernick, Mark W.
Colombia in Contadora: foreign policy in search of domestic peace. Texas journal of political studies, v. 8, spring-summer 1986: 108-129.
"Colombia, during the past four years, attempted to forge an effective foreign policy that would achieve a greater degree of autonomy from the United States and facilitate a domestic program of opening negotiations with the leadership of Colombia's long standing guerrilla insurgency. The cornerstone of that policy was Contadora."

Colombia. Caribbean review, v. 15, winter 1986. 7-15.
Contents.--Colombia under stress: a presidency lamed by instability, by G. Hoskin.--Betancur's battles: the man of peace takes up the sword, by B. Diederich.--Colombia in the eighties: a political regime in transition, by R. Salamanca and C. Lujan.--Nature strikes at Colombia, by B. Diederich.

Cox, Robert.
The souring of the Argentine dream. Harper's magazine, v. 270, May 1985: 49-57.
"It remains to be seen whether the Argentine people have given up on magical solutions--whether they realize that the restoration of democracy means a long hard struggle and an end to political illusions. A few straws in the wind suggest that Alfonsin's task may not be hopeless," concludes the author who was editor-in-chief of the Buenos Aires Herald from 1969-1979.

D'Adesky, Serge.
Brazil's rise to dominance in Latin America. Fletcher forum, v. 3, summer 1979: 46-65.
"This article will attempt to explore the role which Brazil has conceived for itself in Latin America and the actions it is taking to assume such a role. This study begins at that period in which Brazil had developed not only the economic and political power necessary for a large involvement in world affairs, but the strong desire to do so as well."

Deas, Malcolm.
The troubled course of Colombian peacemaking. Third World quarterly, v. 8, Apr. 1986: 639-657.
"The pessimists in Colombia now declare that, logically, the republic will now go the way of 'either El Salvador or Argentina'. . . . Colombia is not like either El Salvador or Argentina in social structure or in institutions . . . Some general knowledge of the republic's past history is needed to begin to answer these questions, and to set the current actors--the government and the civilian politicians, the army, the revolutionaries, . . . drug-traffickers . . . in context."

Denevan, William M.
Peru's agricultural legacy. Focus, v. 35, Apr. 1985: 16-21.
Describes a variety of labor-intensive, landscape-modifying forms of prehistoric agriculture found in South America. Better understanding of how these systems work can perhaps revive ecologically sound, traditional knowledge to restore or duplicate the ancient fields.

Dornbusch, Rudiger.
A new chance for Argentina. Challenge, v. 28, Jan.-Feb. 1986: 15-20.
Examines Argentina's "Austral" economic stabilization plan, a plan based in part on the German antiinflation program of the 1920s. Discusses the plan's initial successes and three major challenges still to be faced: fiscal reform, including new taxes; continued high real interest rates; and ending wage-price controls without a resurgence of inflation.

Drekonja-Kornat, Gerhard.
Columbia: learning the foreign policy process. Journal of inter-American studies and world affairs, v. 25, May 1983: 229-250.
Provides a brief history of Colombian foreign policy, and a short overview of the Colombian foreign policy decision making process. Discusses Colombia's policies toward the U.S. and Latin America.

Dunkerley, James.
Bolivia at the crossroads. Third World quarterly, v. 8, Jan. 1986: 137-150.
"The general election held in Bolivia on 14 July 1985 . . . served to fortify the tenuous consolidation of parliamentary democracy, established in 1982 after eighteen years of military rule in a country notorious for political instability and the belligerence of its armed forces."

Edwards, Sebastian.
Stabilization with liberalization: an evaluation of ten years of Chile's experiment with free-market policies, 1973-1983. Economic development and cultural change, v. 33, Jan. 1985: 223-254.
"The analysis provides an evaluation of 10 years of military regime, placing emphasis in the stabilization and liberalization policies. Special attention given to the recent (1982-83) events that have led to one of the worst recessions in the country's history."

Elias, Victor Jorge.
Government expenditures on agriculture in Latin America. Washington, International Food Policy Research Institute, 1981. 68 p. (International Food Policy Research Institute; 23)

Ewell, Judith.
The development of Venezuelan geopolitical analysis since World War II. Journal of inter-American studies and world affairs, v. 24, Aug. 1982: 295-320.
Traces the development of geopolitical themes in Venezuela and considers the relevance of geopolitics for Venezuelan foreign policy.

Flynn, Peter.
Brazil: the politics of the Cruzado plan. Third World quarterly, v. 8, Oct. 1986: 1151-1194.
"The reaction to Brazil's Economic Stabilisation Programme, the so-called Cruzado Plan, of 28 February 1986, has mostly been favourable, both in Brazil and abroad . . . . The Plan has had, and has, its critics, but they have been relatively few. Most has focused on the technical aspects of the Plan . . . . In this respect, it is worth reflecting on how this bold, and very necessary, initiative chimes in with the politics of Brazil's 'New Republic', and what it implies, in particular, for the government of President Jose Sarney."

Freifeld, Sidney A.
Diplomatic hostage-taking: a retrospective look at Bogota. International perspectives, Sept.-Oct. 1980: 13-18.
"M-19 managed to come out of this terrorist diplomat-seizing venture looking somewhat less like bloodthirsty fanatics . . . . The far-reaching difference in the 'institutional' circumstances between Tehran, Bogota and London and especially the difference in behaviour of governments will be apparent. It is clear that when governments tolerate, facilitate or foment terrorism against diplomats, as the Iranian authorities have done, they undermine . . . the entire fabric of international intercourse--which was the foundation upon which the solution in Bogota, although less than ideal, was so laboriously built."

Gorman, Stephen M.
Geopolitics and Peruvian foreign policy. Inter-American economic affairs, v. 36, autumn 1982: 65-88.
"This essay attempts to identify the principal areas of geopolitical concern in contemporary Peruvian foreign policy, analyze the real and/or perceived national interests that underlie those concerns, and, finally,

examine the manner in which geopolitical interests have been advanced (and the way in which they have impacted on other foreign policy objectives.)"

Handelman, Howard.
Ecuador: a new political direction? Hanover, N.H. American Universities Field Staff, 1979. 24 p. (Field staff reports, 1979/no. 47 South America)
"Ecuador's relatively low level of socioeconomic development has been accompanied by low political participation. Only in the 1979 elections did the country begin to establish mass-based, national political parties. Is Roldos' election a signal for a whole new political order?"

Hendrickson, Embert.
Surinam and the Antilles: a new perspective. World today, v. 40, June 1984: 261-268.
"Surinam has experienced a military takeover while the Antilles face the prospect of Aruban separatism . . . . Examines the politics, parties, and leadership of these erstwhile European colonies in their new circumstances."

Hilton, Stanley E.
The Argentine factor in twentieth-century Brazilian foreign policy strategy. Political science quarterly, v. 100, spring 1985: 27-51.
"Assesses the impact of the Argentine challenge on Brazil's foreign policy. After discussing how Argentina was perceived as Brazil's major threat in the twentieth century, he evaluates the factors that in the early 1980s seemed to bring an end to the two nations' historic rivalry for paramountcy in South America."

Hintzen, Percy C. Premdas, Ralph R.
Guyana: coercion and control in political change. Journal of inter-American studies and world affairs, v. 24, Aug. 1982: 337-354.
"In a dependent, communally ridden excolonial society, the machinery of domination rests on a tripod of political hegemony, economic control, and exclusive access to strategic extranational resources. In the absence of any of these three, the system could collapse. The South American Republic of Guyana is almost paradigmatic as an illustration of this argument."

Hobsbawm, E. J.
Murderous Colombia. New York review of books, v. 33, Nov. 20, 1986: 27-30, 35.
A review article of recently published books in Spanish language on Colombian reality.

Hope, Kempe Ronald.
Electoral politics and political development in post-independence Guyana. Electoral studies, v. 4, Apr. 1985: 57-68.

Kiracofe, Clifford A., Jr.
Brazil: an emerging strategic factor in the southern Atlantic. Journal of social and political studies, v. 5, fall 1980: 199-230.
"Brazilian nationalism impels modern Brazil to seek a larger global role and increased global presence . . . . Brazil's weight within the industrialized world will of necessity increase and her views will be increasingly heard in the councils of world politics."

Krauss, Clifford.
Suriname zigs left, zags right. Nation, v. 238, Feb. 11, 1984: 153-155.
Traces political events since 1982 and describes the Bouterse government's expulsion of Cuban diplomats and technicians in 1983.

Kruger, Alexander.
A new aproach to Brazil in transition. Washington, Heritage Foundation, 1981. 14 p. (Backgrounder no. 146)
"Examines Brazil's internal economic and political evolution since the 1964 military takeover, and areas of current strain between the U.S. and Brazil."

Marshall, Jonathan.
Did Milton Friedman really ruin Chile? Inquire (Washington, D.C.) v. 6, Aug. 1983: 18-21.
"The conventional wisdom is that Milton Friedman's brand of laissez-faire economics sent Chile's economy down the tubes. But in fact the military junta did everything but let the marketplace be.

Maechling, Charles, Jr.
The Argentine pariah. Foreign policy, no. 45, winter 1981-82: 69-83.
Surveys economic and political conditions in Argentina. Describes Argentinian human rights violations. Reviews U.S.-Argentinian relations and suggests that the U.S. should keep diplomatic ties on a "cool, correct, and impersonal plane" until civilian rule is restored in Argentina.

Malloy, James M.
Bolivia: the sad and corrupt end of the revolution. Hanover, N.H., Universities Field Staff International, 1982. 9 p. (Universities Field Staff International. UFSI reports, 1982/no. 3, South America)
"The coup of July 17, 1980 brought an end to the anarchic turbulence of Bolivia's most recent attempt to return to civilian rule. But the price was high. Bolivia today might best be described as a uniformed kleptocracy."

Martz, John D.
Ecuador: the right takes command. Current history, v. 84, Feb. 1985: 69-72, 84, 85.
"The inclination to carry partisan politics to extremes remains integral to the dynamics of Ecuadorean politics. Leon Febres Cordero himself is both impatient and impetuous. His election was a testimony more to his personality than to his economic philosophy. In the light of political conditions and the continuing economic crisis, the challenges confronting the government are imposing."

Matthews, Gary. Michel, James H.
Situation in Chile. Department of State bulletin, v. 85, July 1985: 85-89.
"Statements by Gary Matthews, Acting Assistant Secretary for Human Rights and Humanitarian Affairs, and James H. Michel, Deputy Assistant Secretary for Inter-American Affairs, before the Subcommittees on Human Rights and International Organizations and on Western Hemisphere Affairs of the House Foreign Affairs Committee on March 20, 1985."

McDonald, Ronald H.
The emerging new politics in Paraguay. Inter-American economic affairs, v. 35, summer 1981: 25-44.
Considers the potential for political instability in Paraguay, due to the economic dislocations resulting from construction of the Itaipu and Yacyreta hydroelectric plants, the emerging momentum of labor unions, and problems of political succession. Explores parallels between Paraguay and Nicaragua.

McNeil, Stephen.
Brazilian development vs. the Amazonian Indians. American Indian journal, v. 4, Dec. 1978: 4-12.
"Outlines: 1) recent economic developments in the Brazilian Amazon; 2) the effects those policies have on native peoples there, and 3) the United States' involvement in recent economic developments."

Morton, F. W. Orde.
Brazil's emergence on the world stage. International journal, v. 37, winter 1981-82: 13-41.
The article examines "the recent growth of Brazil's foreign relations, and the consequences of that expansion for its traditional ties with Spanish America and the United States."

Osiel, Mark J. Willis, Eliza.
Is Chile headed for a showdown? Dissent, v. 31, spring 1984: 207-214.
"The continuing divisions within and between the parties of the democratic opposition, the CP's enduring strength, and the wild card of the terrorists . . . continue to present enormous prblems. These problems have prevented the emergence of an alternative to Pinochet viable enough to win over a decisive majority of Chileans."

Palmer, David Scott.
Rebellion in rural Peru: the origins and evolution of Sendero Luminoso. Comparative politics, v. 18, Jan. 1986: 127-146.
"This article reviews the national and local contests within which Sendero's organization evolved and offers an assessment of itr quite remarkable staying power in the face of multiple obstacles and of limitations inherent in the movement itself."

Premdas, Ralph R.
Guyana: changes in ideology and foreign policy. World affairs, v. 145, fall 1982: 177-202.
Examines each of the four periods (1950-63, 1964-68, 1969-1977, 1978-present) to trace the circumstances of the political environment in relation to the ideological positions espoused by President Burnham.

Guyana: violence and democracy in a communal state. Plural societies, v. 12, autumn-winter 1981: 41-63.
"Violence seems to be a persistent feature in facilitating political change in Guyana. Guyana has experienced violence from its inception . . . the purpose of this article is to account for the persistence of violence in Guyana's politics and society."

Ranly, Ernest W.
Under the Peruvian volcano: the church, terrorism & democracy. Commonweal, v. 113, Feb. 14, 1986: 78-82.
Personal reflections and observations of the author who spent the last twelve years in Peru.

Remmer, Karen L.
Public policy and regime consolidation: the first five years of the Chilean junta. Journal of developing areas, v. 13, July 1979: 441-461.
Examines the first five years of the Pinochet regime (1973-1978) in Chile, focusing on the relationship between the policy performance of the junta and the process of regime consolidation.

Roett, Riordan.
Peru: the message from Garcia. Foreign affairs, v. 64, winter 1985-86: 274-286.
"The inauguration of 36-year-old Alan Garcia Perez as a president of Peru on July 28 opened a new and uncertain chapter in that country's tortured modern history. . . . In less than three months, Garcia has thrown down the gauntlet at home and abroad. If successful, his efforts could reverse a pattern of decline almost two decades old and prevent a further unraveling of his country's fragile social fabric."

Brazil's status as an intermediate power, by Riordan Roett and Scott D. Tollefson. Washington, Center of Brazilian Studies, School of Advanced International Studies, The Johns Hopkins University [1985] 28 p.
"In this essay, the authors document Brazil's industrial and economic expansion. Special attention is given to Brazil's real and potential role as an arms producer."
"To appear in the 1986 Annual Edition of Third World Affairs (London)."

Rojas, Alejandro.
Politics as a celebration of life: ecology and democracy in new Chile. Alternatives, v. 13, Dec. 1985: 40-49.
"Ecological problems abound in the suburban 'misery belts' which have grown up around major Latin American cities--a result of the emphasis on high-tech capital-intensive agricultural development."

Rosett, Claudia.
Looking back on Chile, 1973-1984. National review, v. 36, June 1, 1984: 25-28, 53.
"For a while it looked as if Chile was going to recover from the horrendous inflation and economic chaos of the Allende era . . . . Then came a few snags, and General Pincohet tried to substitute strongman rule for the free market."

Sanders, Thomas G.
Brazil's foreign policy. Hanover, N.H. American Universities Field Staff, 1981. 12 p. (Fieldstaff reports, 1981/no. 43 South America)
"One of the major developments in Brazilian foreign policy in the past decade has been increased attention to Africa caused by growing recognition of African trade potential and the strategic importance of the South Atlantic."

Sarney, Jose.
Brazil: a President's story. Foreign affairs, v. 65, fall 1986: 101-117.
"The tragic beginning of my administration coincided with the simultaneous explosion of three great crises . . . . First, a political crisis. . . . In the second place, an economic crisis . . . . Finally, there was a social crisis," writes the President of Brazil.

Selcher, Wayne A.
Current dynamics and future prospects of Brazil's relations with Latin America: toward a pattern of bilateral cooperation. Journal of inter-American studies and world affairs, v. 28, summer 1986: 67-99.
"The question of how Brazil should relate to the rest of Latin America has been a topic of domestic and continental debate, with increasingly practical consequences as the South American development process continues. The recent shift toward more intense, collaborative relations, in particular, invites analysis of current trends and speculation on possible outcomes."

Sjaastad, Larry A.
What went wrong in Chile. National review, v. 35, Sept. 16, 1983: 1128-1132.
"After ten years, the Pinochet government is in trouble--opposed by the same sectors of Chilean society whose discontent led to the fall of Allende. It isn't political repression they're protesting . . . . The real problem seems to be economic mismanagement. The principles of the coup have been betrayed."

South America, 1987. Current history, v. 86, Jan. 1987: whole issue (1-42 p.)
Partial contents.--United States relations with South Africa, by Howard J. Warda.--Bolivia's economic crisis, by James Malloy.--Brazil's Cruzado Plan, by Eul-Soo Pang and Laura Jarnagin.--Paraguay's Stroessner: losing control? by John Hoyt Williams.

Tambs, Lewis A.
The changing geopolitical balance of South America. Journal of social and political studies, v. 4, spring 1979: 17-35.
"The continent sways with the struggle of vast potential superstates grappling for the pivot; but these oscillations are stabilizing. As the balance of power tilts toward Brazil, Argentina searches for accommodation," concludes the author.

Taylor, Lewis.
Peru's Alan Garcia: supplanting the old order. Third World quarterly, v. 8, Jan. 1986: 100-136.
Examines the background of the April 1985 elections, the campaign strategies and the four political parties contending for power.

Uhlig, Mark A.
Pinochet's tyranny. New York review of books, v. 32, June 27, 1985: 35-40.
Based on recent interviews with U.S. and other diplomats, Chilean human rights leaders, businessmen and political leaders, and middle and working class Chileans, the author assesses the opposition to Pinochet's regime, claiming that it is due to economic privation as much as government oppression.

Venezuela. Wilson quarterly, v. 8, autumn 1984: 48-81.
Contents.--Where democracy lives, by R. Bond.--'Sowing the oil,' by D. Blank.

4. Mexico

Baird, Peter.
Mexico in crisis: a Left view. NACLA report on the Americas, v. 19, Sept.-Oct. 1985: 4-7, 12.
"Mexico was in crisis long before September's earthquakes. Last summer saw some of the most turbulent and widely publicized elections in the country's modern history. Three prominent Left leaders comment on the political moment."

Castaneda, Jorge G.
Mexico's coming challenges. Foreign relations, no. 64, fall 1986: 120-139.
"Mexico has become front-page news in the United States. Its massive foreign debt . . . is increasingly difficult to service. Drugs, immigration, corruption, and capital flight have led the U.S. Congress to discuss in public issues that the U.S. executive branch prefers to discuss in private, probably with reason. The 57-year-old political system's capacity to survive is being called into question . . . . Mexico's most demanding medium-term challenge is clearly economic."

Colby, Saly Shelton. Miller, Marshall Lee.
The volcano down below; will Mexico erupt? Armed Forces journal international, v. 123, June 1986: 86-88, 90, 94.
Argues that "the potential instability of Mexico today is the greatest threat to American security and our economy." Considers what the U.S. can do to ease tensions.

De la Madrid, Miguel H.
Mexico: the new challenges. Foreign affairs, v. 63, fall 1984: 62-76.
The President of Mexico briefly reviews his country's political, economic and foreign affairs.

Exter, Thomas G.
Demographics of Mexico. American demographics, v. 4, Feb. 1982: 22-27.
Presents recent population statistics from the Mexican census of 1980 and other recent surveys.

Fernandez, Jose.
Mexico: from hope to frustration. Freedom at issue, no. 86, Sept.-Oct. 1985: 18-22.
"The Mexican political system, which for fifty years gave stability and peace to the country, is now going through a crisis . . . . The worst economic crisis in the history of Mexico has not been solved, largely because of the terrible corruption within the system. The promised fight against corruption has not produced any results so far and the people have no faith that the government will keep its promises. The scandal created by the investigation of the murder of an official of the Drug Enforcement Agency has opened a can of worms and has implicated high officials from the police and the government. The figure of the president, which was respected and even worshipped, now is criticized and ridiculed."

A forum on Mexico's survival. Washington quarterly, v. 9, winter 1986: 171-184.
"In September 1985 the Center for Strategic and International Studies' Mexico Project held in its second major forum on Mexico in Washington, where leading Mexicans in the fields of journalism, business, and government gathered to discuss the political crisis facing Mexico and its implications for the United States. Presented here is an edited version of a panel discussion."

Grayson, George W.
The making of a Mexican President, 1976. Current history, v. 70, Feb. 1976: 49-52, 83-84.

Mexico: the oil glut and structural reform. Washington quarterly, v. 9, summer 1986: 153-164.
Discusses the impact of the surge of oil wealth in the 1970s and the following oil glut in the 1980s on Mexico's economy. Examines the economic policy responses of the de la Madrid government and the need to restructure the economy, within the context of Mexican domestic politics.

The politics of Mexican oil. Pittsburgh, University of Pittsburgh Press [1980] 283 p.
Analyzes the role of petroleum and the petroleum sector in Mexico's domestic and foreign affairs. Describes events from the development of the oil industry until 1980. Discusses Mexico's relationship with OPEC and the political nuances of oil and natural gas agreements between Mexico and the U.S.

Hardy, Chandra.
Mexico's development strategy for the 1980s. World development, v. 10, June 1982: 501-512.
"This paper surveys the major problems now facing the economy (poverty and unemployment, declining agricultural production, a weak industrial base, inflation) and then discusses the framework in which Mexico proposes to deal with these problems, in particular the priority allocated to development of oil and gas. The policies are then compared briefly with the experience of Japan and Iran. The conclusion takes a critical view of current Mexican policies and suggests that a more equity-oriented and efficient growth strategy is required."

Kramer, Mark.
U.S.-Mexican border: life on the line. National geographic magazine, v. 167, June 1985: 720-749.

Levy, Daniel C. Szekely, Gabriel.
Mexico: challenges and responses. Current history, v. 85, Jan. 1986: 16-20, 37.
"The United States tendency to see Mexican insistence on its modified one-party system as an anachronism contrasts uncomfortably with the Mexican regime's apparent belief that steering Mexico through economic changes and even political flux requires close adherence to tradition and secure control."

Mexico, paradoxes of stability and change. Boulder, Colo., Westview Press, 1983. 287 p. (Westview profiles. Nations of contemporary Latin America.)

Looney, Robert L.
Mexican policy dilemmas: during the De la Madrid presidency. Inter-American economic affairs, v. 37, summer 1983: 31-52.
"The main finding of the paper is that if Mexico is concerned only with meeting the narrowest of goals suggested in the IMF letter, recurring crises are quite likely to continue into the future. However, if major tax reforms are enacted at the same time, our model suggests that the Mexican economy could easily return to a high growth path by the end of the De la Madrid presidency."

Mexico. Current history, v. 82, Dec. 1983: whole issue.
Contents.--Political tensions in the Mexican party system, by S. Sanderson.--Mexican foreign policy: the decline of a regional power?, by B. Bagley.--Mexico's development dilemma, by J. Street.--Oil and politics in Mexico, by G. Grayson.--Mexican agricultural policy, by J. Bailey and D. Roberts.--Educational reform in Mexico, by G. Perissinotto.--Migration and unemployment in Mexico, by M. Alisky.

Mexico. Edited by Robert Emmet Long. New York, H. W. Wilson Company, 1986. 160 p. (Reference shelf, v. 48, no. 4)
Contents.--Mexico's crisis.--Urban migration: the dilemma of Mexico City. --Problems at Mexico's borders.

Mexico. Wilson quarterly, v. 3, summer 1979: 117-153.
Contents.--The people next door, by M. Simons.--The wounds of history, by P. Smith.--An inescapable relationship, by R. Fagen.
"Journalist Marlise Simons looks at daily life in modern Mexico; historian Peter Smith examines Mexico's progress since the 1910 Revolution; and political scientist Richard Fagen ponders the present state of U.S.-Mexican relations."

Mexico and the United States: studies in economic interaction. Edited by Peggy M. Musgrave. Boulder, Colo., Westview Press, 1985. 261 p.
Partial contents.--Mexico's foreign financing, by T. Trebat.--Economic fluctuations in Mexico and the United States, by P. Garcia-Alba and J. Puche.--Mexican migration to the United States: de facto rules, by J. Bustamante.--Mexican immigrants: the labor market issue, by R. Mines and M. Kaufman.--Mexico's integration into the world economy, by A. Fishlow.

Miller, Marc L. Broches, Charles F.
U.S. fishery negotiations with Canada and Mexico. Ocean development and international law, v. 14, no. 4, 1985: 417-451.
Article addresses the form of binational fishery negotiations between the U.S. and her two neighbors using the West Coast salmon deliberations and the U.S.-Mexico tuna, shrimp and anchovy fisheries as cases in point.

Modern Mexico: state, economy, and social conflict. Edited by Nora Hamilton and Timothy F. Harding. Beverly Hills, Calif., Sage Publications, c1985. 312 p. (Sage readers in Latin American perspectives, v. 1)

Nation in jeopardy: Mexico--borrowed time. Wall Street journal, Sept. 26, 1985: 1, 18; Oct. 1: 1, 20; Oct. 4: 1, 8; Oct. 9: 1, 26; Oct. 11: 1, 24; Oct. 15: 1, 19.
Six part series examines Mexico's political and economic future in the aftermath of the earthquake.

Orme, William.
Fire in the pan: Mexico's one-party democracy feels the heat. New republic, v. 192, May 6, 1985: 19-21.
Discusses Mexico's internal politics and political system.

Ramirez, Miguel D.
Mexico's development experience, 1950-85: lessons and future prospects. Journal of inter-American studies and world affairs, v. 28, summer 1986: 39-65.
"This paper will argue that, on closer examination, the rapid economic growth of this period was achieved as a result of economic and financial policies which, by exacerbating existing structural weaknesses endemic to the Mexican economy, paved the way for the crises of 1976 and 1982."

Riding, Alan.
Distant neighbors: a portrait of the Mexicans. 1st Vintage Books, ed. New York, Vintage Books, 1986, c1984. 563 p.

Rosenfeldt, Martin E.
U.S.-Mexico borderland industrialization policies revisited: the need for binational strategies. Akron business and economic review, v. 16, winter 1985: 12-19.
Presents statistical evidence of Mexico's maquiladora program (twin-plan program), U.S.-Mexico border area interactions, and sketches binational legislative measures designed to promote regional industrialization.

Sanders, Thomas G.
Back from the brink: Mexico's economic and foreign policy initiatives. Hanover, N.H., Universities Field Staff International, 1984. 8 p. (UFSI reports, 1984/no. 23, North America)
"Mexico's successful economic austerity program has also had foreign policy implications."

Mexican policy in Central America. Hanover, N.H., Universities Field Staff International, 1982. 8 p. (UFSI reports, 1982/no. 27, North America)
"Mexican foreign policy in Central America has been based on the two primary principles of its policy elsewhere--nonintervention and absolute sovereignty in political and economic decision-making. New commercial relations with the region increase its importance to Mexico."

The uncertain future of the Mexican economy. Indianapolis, Universities Field Staff International, 1986. 7 p. (UFSI reports, 1986/no. 5, North America)
"Mexico's predicament--crushing debt burden, rampant inflation, deteriorating currency, and lack of investors' confidence--has again come to symbolize the world debt crisis and, for some, apocalyptic visions for the international financial system."

Sanderson, Steven E.
Party politics and economic crisis in Mexico. Journal of the Institute for Socioeconomic Studies, v. 9, spring 1984: 87-97.
Discusses changes in the political party system in Mexico and examines the effects of the Partido Revolucionario Institucional on national development.

Presidential succession and political rationality in Mexico. World politics, v. 35, Apr. 1983: 315-334.
"The fundamental framework of presidential politics has changed in the 1970s from populist redistribution to oil patronage . . . . The conjuncture of the collapse of populism and the rise and fall of the oil-boom economy results in a state whose political flexibility is limited by the weakness

of 'new populist' politics, while oil patronage is reduced by fiscal constraints and external payments crises."

Schroeder, Richard C.
Troubled Mexico. Washington, Congressional Quarterly, 1985. 843-859 p. (Editorial research reports, 1985, v. 2, no. 18)
Contents.--Economic aftershocks.--American relations.--Internal challenges.

Simpson, Leslie Byrd.
Many Mexicos. 4th ed. Berkeley and Los Angeles, University of California Press, 1986. 389 p.

Sinclair, Mark A.
The environmental cooperation agreement between Mexico and the United States: a response to the pollution problems of the borderlands. Cornell international law journal, v. 19, winter 1986: 87-142.
This note assessing the 1983 "Agreement Between the United States of America and the United Mexican States on Cooperation for the Protection and Improvement of the Environment in the Border Area" concludes that "the Agreement is largely symbolic in nature, offering neither established rules of conduct nor enforcement mechanisms to safeguard shared resources."

U.S. Congress. House. Committee on Banking, Finance and Urban Affairs. Subcommittee on International Trade, Investment and Monetary Policy. The Mexican economic crisis: policy implications for the United States; report prepared by the Congressional Research Servic , Library of Congress, transmitting the proceedings and papers of a CRS-sponsored workshop held on November 30, 1983 for the Subcommittee on International Trade, Investment and Monetary Policy of the Committee on Banking, Finance and Urban Affairs and the Subcommittee on Western Hemisphere Affairs of the Committee on Foreign Affairs, House of Representatives, 98th Congress, 2nd session. Washington, G.P.O., 1984. 274 p.
At head of title Joint committee print 98-11.

U.S. Congress. House. Committee on Post Office and Civil Service. Subcommittee on Census and Population.
Demographic trends of Mexico. Hearing, 99th Congress, 2nd session. June 18, 1986. Washington, G.P.O., 1986. 44 p.
"Serial no. 99-60"

U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Western Hemisphere Affairs.
Situation in Mexico. Hearings, 99th Congress, 2nd session. Washington, G.P.O., 1986. 182 p. (Hearing, Senate, 99th Congress, 2nd session, S. Hrg. 99-942)
Hearings held May 13, June 17 and 26, 1986.

5. Caribbean

Atlas of the Caribbean Basin. 2nd ed. Washington, U.S. Dept. of State, Bureau of Public Affairs, for sale by the Supt. of Docs., G.P.O., 1984. 16 p.
"The atlas consists of maps and charts illustrating the basin's economic and political features."

Berger, Peter L.
Can the Caribbean learn from East Asia? Caribbean review, v. 13, spring 1984: 7-9, 40-41.
"No one can confidently predict the future, but the next few years will a most certainly be difficult ones for Jamaica. The basic fact remains, however, that Jamaica is now, and will continue to be, one of America's very important neighbors. It deserves strong support from both the government and the business community of the United States."

Beshoff, Pamela.
Foreign policy co-operation and regional integration in the Caribbean. Millenium: journal of International Studies, v. 15, spring 1986: 91-107.
"The focus of this paper will be foreign policy coordination in the Caricom [Caribbean Community]. The paper will also relate the Caribbean experience to that of Europe. For while European Political Co-operation (EPC) undoubtedly represents that most highly developed form of collective

diplomacy extant in the international system, there are useful lessons to be drawn too from the evolving co-operation of a group of developing countries."

Blueprint island: a survey of Jamaica. Economist, v. 286, Feb. 12, 1983: 1-18.
Describes Jamaica, with emphasis on economic problems, policies, and prospects.

Brown, G. Arthur.
Dilemmas of Caribbean development: an interview with G. Arthur Brown. Fletcher forum, v. 9, summer 1985: 255-268.
In this interview, G. Arthur Brown Associate Administrator of the United Nations Development Program, "discusses the dilemmas of development confronting the island nations of the Caribbean. He evaluates the U.S. role in this region of growing unrest, focusing particularly on the impact and future prospects of the Caribbean Basin Initiative."

The Caribbean. International journal, v. 40, spring 1985: whole issue (207-396 p.)
Partial contents.--Whither CARICOM? The performance and prospects of Caribbean integration in the 1980s, by A. Payne.--The origins and implications of the Caribbean Basin Initiative: mortgaging sovereignty? by K. Polanyi-Levitt.--Jamaica in crisis: from socialist to capitalist management, by C. Stone.--American foreign policy in the Caribbean: continuities, changes, and contingencies, by A. Maingot.--Cuba's impact in the Caribbean, by A. Bryan.--Militarization of the Caribbean: concerns for national and regional security, by D. Simmons.

Diederich, Bernard.
The end of West Indian innocence; arming the police. Caribbean review, v. 13, spring 1984: 10-12.
Discusses "the need for a regional defense force" in the Eastern Caribbean area, and "apprehensions for the potential for serious abuse of such force."

Dominguez, Virginia R. Dominguez, Jorge I.
The Caribbean: its implications for the United States. New York [Foreign Policy Association] 1981. 80 p. (Headline series, 253)
Contents.--The formation of Caribbean societies.--The Caribbean today.--Contemporary Caribbean economies.--Caribbean politics: stability, violence and the currencies of power.--Emigration: the Caribbean diaspora.--The Caribbean and United States policy.

Ebinger, Charles K.
Caribbean energy. Washington quarterly, v. 4, spring 1981: 114-125.
Discusses energy problems in the Caribbean region, focusing on the development of a large refining industry in the area. Contends that oil products from the Caribbean could flood the U.S. market now that prices have been decontrolled. Discusses U.S. energy relations with Mexico and Venezuela.

Edie, Carlene J.
Domestic politics and external relations in Jamaica under Michael Manley, 1972-1980. Studies in comparative international development, v. 21, spring 1986: 71-94.
"During the decade of the 1970s, Jamaica received much international attention because of the activist foreign policy of Manley's government and its attempt to implement 'radical 'democratic socialist' policies' at home. In its external relations, the Manley government appeared to have rebuffed the traditional allies of Jamaica, namely United States, Canada and Britain.

The English-speaking Caribbean: current conditions and implications for U.S. policy; report prepared by the Congressional Research Service, Library of Congress, on a workshop held on December 11, 1984 for the Subcommittee on Western Hemisphere Affairs of the Committee on Foreign Affairs, U.S. House of Representatives. Washington, G.P.O., 1985. 115 p.
At head of title: 99th Congress, 1st session, committee print.

Garcia-Passalacqua, Juan M.
Intertwined futures: Puerto Rico, the United States, the Caribbean Basin, and Central America. Fletcher forum, v. 9, summer 1985: 269-294.
The author "emphasizes the historical and continuing significance of Puerto Rico to the stability of the Caribbean region and, by extension, to the security of the United States."

Greatbatch, Bruce.
Development problems in the Caribbean. Round table, no. 280, Oct. 1980: 374-380.
Caribbean area has very few natural resources; the energy crisis has caused serious balance of payments problems; and political differences do not help the movement towards unity.

Haiti after Duvalier. Village voice, v. 31, Apr. 29, 1986: 18-24, 26, 39.
Contents.--Bringing down baby, by Amy Wilentz.--The natural: Gerard Gourgue watches and waits.

Hempstone, Smith.
"Watch Jamaica". Reader's digest, v. 121, Nov. 1982: 13-14, 16, 18.
"After a disastrous decade of socialism, Jamaica is betting everything--including a hefty stack of U.S. chips--on free enterprise."

Jordan, David C.
The turbulent Caribbean: three views of U.S. policy. Strategic review, v. 8, fall 1980: 40-47.
"There are basically three interpretations of the accelerating turmoil in the Caribbean Basin and of recent U.S. policy toward that region . . . . Obviously and urgently needed is a coherent U.S. approach addressed to explicit interests in its strategically critical backyard," stresses the author.

Laing, Edward A.
Independence and islands: the decolonization of the British Caribbean. Journal of international law and politics, v. 12, fall 1979: 281-312.
"Because of the acceleration of decolonization in the Caribbean, an examination of the decolonization process is appropriate. This article considers several facets of that process: the United Kingdom's procedure for granting independence to its colonies, the techniques the territories use to obtain their independence, and the United Nations' role in encouraging and validating decolonization. The article also discusses the international ramifications of the attainment of independence by these very small Caribbean states and focuses primarily on the experiences of Grenada and Dominica."

Lewis, Vaughan A.
The small state alone: Jamaican foreign policy, 1977-1980. Journal of inter-American studies and world affairs, v. 25, May 1983: 139-170.
Reviews Jamaica's foreign policies, including foreign economic policies, from 1977 through 1980. Includes discussion of U.S.-Jamaican relations, Jamaican negotiations with the International Monetary Fund and Jamaican policies toward Eastern Europe and Cuba.

Lowenthal, Abraham F.
The Caribbean. Wilson quarterly, v. 6, spring 1982: 112-145.
Surveys political, economic and social conditions in the Caribbean area. Considers U.S. interests and policy options in the region. Also proposes steps the U.S. could take to aid economic development in Caribbean countries.

MacDonald, Scott B.
Trinidad and Tobago: democracy and development in the Caribbean. New York, Praeger, 1986. 231 p.

Menon, P. K.
The Organization of Eastern Caribbean States--an important milestone in sub-regional integration. University of Miami inter-American law review, v. 17, winter 1986: 297-311.
"Following the dissolution of the West Indies Federation, the political leaders of Antigua, Barbados, Dominica, Grenada, Montserrat, St. Kitts, St. Lucia, and St. Vincent met in 1962 with the United Kingdom's Secretary of State and Officials of the Colonial Office in London to discuss plans for the formation of a federation of the eight countries."

The Newer Caribbean: decolonization, democracy, and development. Edited by Henry Paget and Carl Stone. Philadelphia, Institute for the Study of Human Issues, c1983. 348 p. (Inter-American politics series, vol. 4)
"The essays in Part 1 focus on the process of decolonization in the English-speaking Caribbean, where a constitutional transition to nationhood, rather than a revolutionary or departmentalized route, has been the hallmark of change. Part 2 examines Caribbean relations with the international

community, paying particular attention to the course of affairs with Mexico, Cuba, Haiti, and Venezuela, as well as with the United States and the Soviet Union. The discussions that compromise Part 3 have as their focus the changes that have taken place in the social and economic structure of Caribbean society during the modern postcolonial era."

Nicholls, David.
Haiti: the rise and fall of Duvalierism. Third World quarterly, v. 8, Oct. 1986: 1239-1252.
Considers "why the Duvalier dynasty rose and fell, then looks at some of the forces now at work in the republic. Suggests that the main reason for the political demise of Jean-Claude ('Baby Doc') Duvalier was a shift in the basis of his support from one class to another. This made him susceptible to pressure from all directions: from movements of mass protest, from the Church, and finally from the U.S. Embassy and the army."

Payne, Anthony.
Giants and pygmies in the Caribbean. World today, v. 36, Aug. 1980: 288-295.
"Something of a vacuum has emerged in the Commonwealth Caribbean in the period since the decline of British colonialism. In the last few years, a number of powers . . . have begun to compete to fill the gap . . . . They comprise . . . the United States and Canada; old colonial powers like Britain and France; . . . the Soviet Union, China and Cuba; and Latin American powers, notably Venezuela and Mexico." The article considers these various powers competing for political influence in the Caribbean.

Payne, Anthony.
The rise and fall of Caribbean regionalisation. Journal of common market studies, v. 19, Mar. 1981: 255-280.
"Attempts to shed some light on the reasons for the limited success span of Third World integration movements by examining the rise and fall of CARICOM Caribbean Community and Common Market."

The Restless Caribbean: changing patterns of international relations. Edited by Richard Millett and W. Marvin Will. New York, Praeger, c1979. 295 p.

Rumney, Thomas.
The geographical dimensions and processes of the Caribbean: a selected bibliography. Monticello, Ill., Vance Bibliographies, 1986. 35 p. (Public administration series: bibliography P 1929)
Defines the geographic area of the Caribbean and presents literature and journals which provide information about this area.

Segal, Aaron.
Caribbean realities. Current history, v. 84, Mar. 1985: 127-130, 134-135.
"Dependence, poverty, small size, the desire to emigrate, are all Caribbean realities. So are survival skill, resilience, flexibility, religiosity, and exuberance."

Time for decision: the United States and Puerto Rico. Edited by Jorge Heine. Lanham, Md., North-South Pub. Co., 1983. 302 p.
Contents.--Parties, politics and unions.--The Puerto Rican economy.--The politics of US.-Puerto Rican relations.--Puerto Rico 1952-1982: a bibliographic guide.

689

WHAT CHANGES ARE NEEDED IN UNITED STATES FOREIGN POLICY IN LATIN AMERICA?

A Guide to Information Sources on the 1987-1988 High School Debate Topic

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CONTENTS

INTRODUCTION iii

RESEARCH GUIDE iv

PART I. GENERAL REFERENCE SOURCES

Books 1
Journal Articles 2
Newspaper Articles 4
Government Publications 6
Legislative Information 7
Bills and Resolutions 7
Statistical Sources 8

PART II. U.S. POLICY IN LATIN AMERICA REFERENCE SOURCES

Reference Books 9
Indexes 11
Selected Periodicals 12
Guides to Organizations 13

A GUIDE TO INFORMATION SOURCES
on the 1987-1988
High School Debate Topic

INTRODUCTION

This research guide identifies sources of information on U.S. policy in Latin America and related topics that will be discussed by high school debaters. It describes reference and research tools and provides search strategies that might be used when consulting these tools.

The guide is divided into two parts. The first part describes basic research sources, and the second part describes specialized foreign policy and Latin American issues reference sources.

Search terms, which may be used separately or in combination, are provided in some cases for each resolution of the debate topic.

LATIN AMERICA:	What changes are needed in United States foreign policy toward Latin America?
RESOLVED:	That the United States government should significantly decrease its military involvement in Latin America. (Military involvement)
RESOLVED:	That the United States government should significantly increase its non-military assistance to Latin America. (Economic assistance)
RESOLVED:	That the United States government should adopt a policy to increase political stability in Latin America. (Political stability)

In the guide, the resolutions are referred to in the abbreviated form listed in parentheses above.

The search terms listed for each of the topics are not exhaustive. The primary terms are included to help the high school debater begin his or her search for materials on these topics.

RESEARCH SOURCES

This is a list of key research tools described in this guide, and the page where each is mentioned.

ABC POL SCI ... 11
Air University Library Index to Military Periodicals ... 11
American Statistics Index ... 8
Bell and Howell Newspaper Indexes ... 5
Business Periodicals Index ... 11
CIS Index ... 8
Congressional Index ... 8
Congressional Quarterly Weekly Report ... 7
Congressional Record ... 7
Depository Libraries ... 6
Digest of Public Bills and Resolutions ... 7
Encyclopedia of Associations ... 13
Index to Legal Periodicals ... 3
International Political Science Abstracts ... 12
Library of Congress Subject Headings ... 2
Magazine Index ... 12
Major Legislation of the Congress ... 7
Monthly Catalog of United States Government Publications ... 6
National Journal ... 7
National Newspaper Index ... 5
New York Times Index ... 4
NEXIS ... 5
Official Washington Post Index ... 4
Public Affairs Information Service ... 2
Reader's Guide to Periodical Literature ... 3
Social Sciences Index ... 11
Social Science Citation Index ... 11
Statistical Reference Index ... 8
The United States Government Manual ... 14
Univeristy Microfilms Newspaper Indexes ... 5
Wall Street Journal Index ... 4
Washington Information Directory ... 14
Weekly Compilation of Presidential Documents ... 6
VUTEXT ... 5

PART I. GENERAL REFERENCE SOURCES

BOOKS

Many libraries around the country, especially large college and research libraries, use Library of Congress subject headings in their catalogs. To learn how books on U.S. foreign policy in Latin America are categorized in these libraries, consult the two volume guide, Library of Congress Subject Headings; it is usually kept near the automated catalog or card catalog. The most relevant LC subject headings for foreign policy in Latin America are listed below:

GENERAL:	Latin America
	Central America
	Caribbean Area
	(Specific countries by name)
	Organization of American States
	Emigration and immigration law
	Aliens
FOREIGN RELATIONS:	Foreign relations
	United States--Foreign relations
	United States--Foreign relations--Central America
	United States--Foreign relations--Caribbean area
	United States--Foreign relations--(subdivided by country name)
	Monroe Doctrine
MILITARY ASSISTANCE:	United States--National Security
	Military assistance, American--(subdivided by location)
	Security, International
	Military policy--(subdivided by location)
	Firearms industry and trade--(subdivided by location)
	Munitions--(subdivided by location)
ECONOMIC ASSISTANCE:	Economic assistance, American--(subdivided by location)
	Economic assistance in Latin America
	United States--Commerce--(subdivided by location)
	Foreign trade regulation
	Investments, Foreign--(subdivided by location)
	Debts, External--(subdivided by location)
	Foreign economic relations--(subdivided by location)
	Loans, Foreign--(subdivided by location)
POLITICAL STABILITY:	Intervention (International law)
	Refugees--(subdivided by location)
	Refugees, Political--(subdivided by location)
	Politics and government--(subdivided by location)
	Civil rights
	Military government
	Church and State
	Civil supremacy over the military
	Democracy
	Economic conditions
	Social conditions

JOURNAL ARTICLES

Citations to journal articles and other materials about U.S. policy in Latin America can be found in a number of printed indexes and online bibliographic data bases. The materials covered by the printed indexes are briefly described here and search strategies are given.

Online bibliographic data bases enable the researcher to locate citations to journal articles and other materials quickly by using a computer terminal to search a machine-readable file. Online data bases allow the researcher to combine search terms in ways that are impossible in a printed index or library catalog and to simultaneously search material that would be contained in printed index volumes covering several years. Many of the printed indexes described in this guide are also available as online data bases. A reference librarian can advise you on the availability of computerized search services in your area; there may be a fee for use.

MAGAZINE INDEX (microfilm)

Magazine Index provides citations to materials in over 400 popular magazines, focusing on coverage of current affairs, leisure time activities, arts, sports, and science and technology. References from the last five years are listed alphabetically by subject and author in one alphabetical display on the Magazine Index microfilm reader-terminal. The Index is updated monthly, and uses Library of Congress subject headings. Consult the list given above or the two-volume *Library of Congress Subject Headings* for appropriate search terms.

PUBLIC AFFAIRS INFORMATION SERVICE (PAIS)

PAIS is a subject index of books, pamphlets, government publications, reports of public and private agencies, and periodical articles relating to economic and social conditions, public administration, and international relations. It is issued monthly; there are also three quarterly cumulations and an annual bound volume with an author index. Some search terms are listed below; also use *PAIS* cross-references.

GENERAL:	Latin America--(subdivided by names of countries) Pan Americanism Organization of American States
FOREIGN RELATIONS:	Diplomacy Foreign relations United States--Foreign relations--(subdivided by Latin America, Central America, Caribbean Region, names of countries)
MILITARY ASSISTANCE:	Munitions--Export-import trade Military strategy International security United States--Military policy
ECONOMIC ASSISTANCE:	Investments, Foreign Agricultural assistance Loans, Foreign Export-import trade Commerce Debts, External Economic assistance Technical assistance

POLITICAL STABILITY: Democracy
(Subheading "Government" under geographic heading
Military government
Church and state
Human rights
Civil-military relations

READER'S GUIDE TO PERIODICAL LITERATURE

The *Reader's Guide* is an author/subject index to over 180 periodicals of general interest published in the United States and Canada. It is published twice a month September to December and in March, April, and June; it appears monthly in January, February, May, July, and August. The quarterly and annual cumulations can expedite your search. Search under Library of Congress subject headings and the *Reader's Guide's* cross-references.

GENERAL: Latin America--(subdivided by Foreign relations, Politics and government)
Central America--(subdivided by Foreign relations, Politics and government)
Caribbean Region--(subdivided by Foreign relations, Politics and government)
See also names of specific countries
Inter-American relations
Organization of American States

FOREIGN RELATIONS: Monroe Doctrine
United States--Foreign relations--(subdivided by Latin America, Central America, Caribbean Region, names of countries)

ECONOMIC ASSISTANCE: Debts, External
Economic assistance, American

MILITARY ASSISTANCE: United States--Military policy
Military missions
Military assistance, American

POLITICAL STABILITY: Intervention (International law)
Democracy
Church and state
Civil rights

INDEX TO LEGAL PERIODICALS

The index lists articles "of high quality and permanent reference value" in legal periodicals published in the United States, Canada, Great Britain, and other English language countries. The articles are indexed under author and subject. A complete list of subjects is included at the front of each bound volume.

GENERAL: Developing countries
Latin America
(see also the names of countries)
Immigration and emigration
Deportation

FOREIGN RELATIONS: Foreign relations
Foreign relations of the United States

MILITARY ASSISTANCE: National defense
War and emergency powers
Weapons

ECONOMIC ASSISTANCE: Trade regulation
Investments--Foreign
International economic relations
International trade

POLITICAL STABILITY: Democracy
Freedom of religion
Human rights

NEWSPAPER ARTICLES

The *New York Times Index* provides extensive abstracts for articles appearing in the *New York Times*. It is issued twice a month, with quarterly and annual cumulations. Consult "How to use the New York Times Index" in the index volume itself for guidance. Examples of some search terms are provided.

GENERAL: Latin America
Caribbean area
(Specific countries--by name)
American States, Organization of

FOREIGN RELATIONS: International relations
Immigration and emigration

MILITARY ASSISTANCE: Military strategy and tactics
Arms sales abroad

ECONOMIC ASSISTANCE: Foreign investments
Foreign aid
Inter-American Development Bank

POLITICAL STABILITY: Military role in politics

OFFICIAL WASHINGTON POST INDEX

The *Index* provides access to all substantial newsworthy items in this paper. It is issued monthly and cumulated annually.

GENERAL: Latin America
(Specific countries)
Central America
Illegal aliens
Emigration and immigration

FOREIGN RELATIONS: Foreign relations

MILITARY ASSISTANCE: Armaments
Military assistance
Military expenditures
Attack and defense (Military science)

ECONOMIC ASSISTANCE: Debts, external
Free trade and protection
Agricultural assistance
Economic assistance
Technical assistance
Commerce

POLITICAL STABILITY: Democracy
Civil rights
Church and State

WALL STREET JOURNAL INDEX

The *Wall Street Journal Index* is issued monthly and has annual cumulations. Check under the General News section.

GENERAL: Latin America
(Specific countries--by name)
Central America
Third World
Immigration

FOREIGN RELATIONS: Foreign relations

MILITARY ASSISTANCE: Armaments

ECONOMIC ASSISTANCE: Loans
Foreign aid
Debts--Foreign

POLITICAL STABILTY: Democracy
Human rights

NATIONAL NEWSPAPER INDEX (microfilm)

National Newpaper Index indexes the Christian Science Monitor, New York Times, Wall Street Journal, Los Angeles Times, and Washington Post. References from the last five years are listed alphabetically by subject headings, and use of the cross-references. An online version of this index is available commercially.

OTHER NEWSPAPER INDEXES

Bell & Howell Co. produces a set of indexes which list articles appearing in the Boston Globe, Christian Science Monitor, Denver Post, Detroit News, Houston Post, Los Angeles Times, New Orleans Times-Picayune, San Francisco Chronicle, St. Louis Post-Dispatch, and USA Today. University Microfilms International produces monthly and annual indexes for the Atlanta Journal, Atlanta Constitution, Chicago Tribune, Los Angeles Times, and the Minneapolis Star and Tribune. In addition, many newspapers are indexed locally; ask a public librarian about indexes to your local newspaper.

Some search terms include:
Foreign policy
Military policy
Latin America
Central America
Military assistance
National security
Organization of American States
(Specific countries by name)

NEXIS

NEXIS is an online search and retrieval service with numerous subfiles of information. The NEXIS database includes the full text of many newspapers, including Legal Times, National Law Journal, the New York Times, the Washington Post, and the Christian Science Monitor; full text of major wire services, including AP, UPI, and Reuters; full text of many newsletters and magazines; full text of some government publications; abstracts to many current affairs magazines and major U.S. newspapers; and other information. Ask a reference librarian if NEXIS is available in your area. There may be a fee for NEXIS searches.

VUTEXT

VUTEXT is a full text online system of regional newspapers that is word-, number-, and phrase-searchable provided by Knight-Ridder, Inc. It provides to more than 35 regional newspapers in a full text format and in depth coverage of regional business issues. Ask a reference librarian if VUTEXT is available in your area. There may be a fee for searches.

NEWSSEARCH

Newssearch is the daily update of Magazine Index, National Newspaper Index, and Legal Resource Index commercially. It provides front-page to back-page indexing of the Christian Science Monitor, Wall Street Journal, and New York Times, as well as popular magazines, law journals, and legal newspapers. There may be a fee for searches.

GOVERNMENT PUBLICATIONS

FEDERAL DEPOSITORY LIBRARY PROGRAM

Under this program, Government publications are made available to designated depository libraries. In order to provide the general public with greater access to Government publications, these libraries are located in each State and congressional district. There are currently over 1,350 depository libraries. Of this number 50 have been designated as regional depositories. The regional libraries assume the responsibility of retaining depository material permanently and of providing inter-library loan and reference service in their regions. Copies of documents no longer available for sale can usually be found in regional Federal depository library collections. Each issue of the Monthly Catalog of United States Government Publications (see below) prints a current directory of these regional libraries. A directory of all depository libraries is available from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

GOVERNMENT REPORTS ANNOUNCEMENTS AND INDEX

Government research reports are indexed in the Government Reports Announcements and Index, which is issued twice monthly by the National Technical Information Service (NTIS). A keyword index lists significant words from titles. The NTIS index is available online commercially.

MONTHLY CATALOG OF UNITED STATES GOVERNMENT PUBLICATIONS

The Monthly Catalog lists documents issued by all branches of the Federal Government. The catalog has monthly, semiannual, and annual indexes arranged by author, title, subject, keywords, and series/report title. The Monthly Catalog is often the access point for materials in Government depository libraries; it may also be used to obtain information for ordering materials for purchase from the Superintendent of Documents at the U.S. Government Printing Office. The Monthly Catalog is commercially available. Library of Congress subject headings are the catalog's subject authority. Therefore, see SEARCH TERMS under BOOKS in this guide.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS

The Weekly Compilation of Presidential Documents contains statements, messages, and other Presidential materials released by the White House during the preceding week. The Weekly Compilation has weekly, quarterly, and annual indexes. It is also available online commercially.

INDEX TO U.S. GOVERNMENT PERIODICALS

The Index covers periodical articles published by over 100 Federal agencies, using a thesaurus created exclusively for itself.

Search Terms: Central America
Economic assistance, United States
Foreign relations, United States
Latin America
Military assistance, United States
(Specific countries)

LEGISLATIVE INFORMATION

Congressional activities on U.S. policy in Latin America may be montored by searching the following printed publications:

CONGRESSIONAL QUARTERLY WEEKLY REPORT

Congressional Quarterly Weekly Report provides current information on congressional activities, the progress of major bills, and background information on major policy issues. Important recent articles are indexed on the back cover of each issue. Consult this index under the heading "Foreign Policy". A quarterly and annual index are also issued; search under such headings as foreign affairs, foreign trade, foreign aid, arms sales, defense, human rights and specific names of countries and regions. Cross references are also provided.

Congressional Quarterly also publishes an annual volume which cumulates material from the weeklies. There is an index at the back of each volume.

NATIONAL JOURNAL

National Journal provides information on important executive branch and congressional actions. In addition to the semi-annual indexes, there is a page entitled "Recent Articles" toward the end of most issues. Look under "Foreign policy," "Defense," or "Trade." The semiannual index allows you to search under more specific topics.

CONGRESSIONAL RECORD

The Congressional Record provides an edited transcript of the activities on the floor of the House and the Senate. It is published each day Congress is in session. Subject and name indexes are published biweekly and cumulated annually. Search under such topics as:

Economic assistance
Foreign relations--U.S.
Foreign trade
Military assistance
National defense
Technical assistance
(Specific country and regional areas)

BILLS AND RESOLUTIONS

MAJOR LEGISLATION OF THE CONGRESS

The MLC provides summaries of selected major legislation arranged by subject. It includes background on the issues and information on the content and status of major bills affecting that issue. The publication may be examined at a Government depository library or purchased from the Government Printing Office. Search under the headings "Foreign policy and assistance programs," "Trade and international finance," or "National defense and security."

DIGEST OF PUBLIC GENERAL BILLS AND RESOLUTIONS

The Digest summarizes the essential features of public bills and resolutions and changes made in them during the legislative process. The Digest is published during each session of Congress in two cumulative issues and a final issue at the conclusion of the session. The Digest has sponsor/cosponsor, identical bills, short title, and subject indexes. Search under

"Foreign relations and policy," "Foreign trade and investments," or "National security and intelligence operations." Cross references are provided.

CIS INDEX

The CIS Index, produced by the Congressional Information Service, abstracts all congressional publications except the Congressional Record. The Index is published monthly and cumulated quarterly and annually. Each issue of the Index is divided into index and abstract portions. Search in the index section under such headings as:

- Foreign assistance
- Foreign investments
- Foreign relations
- Human rights
- Military assistance
- Military strategy
- National defense
- (Specific countries and regions)

Also use the cross-references provided. Refer to the abstract section for full bibliographic information.

STATISTICAL SOURCES

AMERICAN STATISTICS INDEX (AIS)

The American Statistics Index indexes and describes the statistical publications of the U.S. Government, including periodicals, annuals, biennials, semi-annuals, and special publications. The Index provides access to statistical materials by subject, organization, name, issuing source, and title. The Index is published monthly and cumulated quarterly and annually. ASI is available online commercially.

STATISTICAL REFERENCE INDEX

The Statistical Reference Index provides a guide and index to selected statistical reference material from non-Federal sources on a wide spectrum of subject matter. It includes the publications of trade, professional, and other non-profit assocations and institutions, business organizations, commercial publishers, university and independent research centers, and State government agencies. The Index provides access by subject, organization, name, issuing source, and title. The Index is published monthly and cumulated annually.

CONGRESSIONAL INDEX

The Congressional Index, published by the Commerce Clearing House, is a weekly looseleaf service providing content and status information for bills and resolutions pending in Congress. The progress of bills and resolutions is reported from the introduction of the legislation to the final disposition. Search under "Foreign affairs and assistance," "Foreign trade," "Armed forces and national defense," and "Immigration and naturalization."

PART II. U.S. POLICY IN LATIN AMERICA

REFERENCE BOOKS

GENERAL

Area Handbook Series. Washington, G.P.O. Prepared by the Foreign Area Studies Program of The American University.

These handbooks are available in depository libraries and provide background information on countries. Handbooks available on Latin American countries include: Panama, Costa Rica, Guatemala, Honduras, Nicaragua, Argentina, Brazil, Chile, Guyana, Paraguay, Peru, and Mexico.

Encylopedia of the Third World. New York, Facts on File.

Provides descriptive materials on the economic, political and social systems of politically nonaligned and economically developing and less industrialized nations of the world.

Europa yearbook: a world survey. London, Europa Publications.

This yearbook was first published in 1926. Also published by Europa are regional volumes, including Latin America.

Facts on file: weekly world news digest with cumulative index. New York, Facts on File.

International encyclopedia of the Social Sciences. New York, Macmillan Co. and the Free Press.

Political handbook of the world. Published for the Center for Social Analysis of the State University of New York at Binghamton and the Council on Foreign Relations by McGraw-Hill Book Co.

"For each country the Handbook includes facts on: political background and issues; social and economic data; legislatures; foreign relations; names and heads of state; cabinet members; official languages; news media; imports, exports; religions; geography;" and other items of interest.

Spanier, John.

Games nations play. 6th ed. Washington, Congressional Quarterly, c1987. 683 p.

Contents.--Part 1: The study and analysis of international politics.--Part 2: The state system.--Part 3: How to play--politically, militarily, economically.--Part 4: The second and third levels.--Part 5: From state system to interdependence.

The Statesman's yearbook, edited by John Paxton. New York, St. Martin's Press.

Annual publication includes defense, commerce and governmental information on a country-by-country basis. Also includes information on international agencies.

U.S. Central Intelligence Agency. The World Factbook.

"The World Factbook is produced annually by the Directorate of Intelligence of the Central Intelligence Agency." It provides a country-by-country listing of population, military manpower estimates, and major political developments in each nation. Includes maps.

U.S. Department of State.

Atlas of foreign relations. 2nd rev. ed. Washington, for sale by the Supt. of Docs., G.P.O., 1985. 98 p.

"Provides basic information about U.S. foreign relations."

U.S. Department of State. Background notes.

Background notes are fact sheets on individual counties and are available from the U.S. Dept. of State, Bureau of Public Affairs, Washington, D.C. 20520. (202/647-6575)

Worldmark encyclopedia of the nations: Americas. New York, John Wiley and Sons, 1984. 330 p.

LATIN AMERICA

A Bibliography of Latin American bibliographies. Metuchen, N.J., Scarecrow, 1986- .
Original bibliography edited by arthur E. Gropp.
Supplements published 1971, 1979, 1982, and forthcoming in 1987.

Bray, David B.
A directory of Latin American studies in the United States. [New Orleans] Roger Thayer Stone Center for Latin American Studies, Tulane University, for the Consortium of Latin American Studies Programs [1986] 243 p.

Butland, Gilbert J.
Latin America: a regional geography. London, Longmans, 1966. 391 p.

The Cambridge encyclopedia of Latin America and the Caribbean. Edited by Simon Collier, Harold Blakemore, and Thomas E. Skidmore. Cambridge, [Cambridgeshire], New York, Cambridge University Press, 1985. 456 p.

Caribbean and Central American databook. 3rd ed. Washington, Caribbean/Central American Action, 1984. 387 p.

Delorme, Robert L.
Latin America: social science information sources, 1967-1979. Santa Barbara, Calif., ABC-Clio Press, c1981. 262 p.

Directory of inter-American and other associations in the Americas. Washington, General Secretariat, Organization of American States, 1986. 81 p.
State-by-state listing of agencies and organizations.

Fenton, Thomas P.
Latin America and Caribbean: a directory of resources. Maryknoll, N.Y., Orbis Books; London, Zed Books, c1986. 142 p.

Griffin, Charles Carroll.
Latin America: a guide to the historical literature. Austin, Published for the Conference on Latin American History by the University of Texas Press [1971] 700 p.

Handbook of Latin American studies; a selective and annotated guide to recent publications. Washington, Library of Congress. An annual annotated bibliography compiled by the Hispanic Division of the Library of Congress. "First published in 1936, the Handbook has been a cooperative enterprise, designed by scholars as the basic reference and acquisition tool for the area. More than 100 contributing editors, each a distinguished specialist in his or her own discipline, collaborate to provide the descriptive and evaluative comments for the more than 6,000 books and periodical articles that appear in each volume. Since the 26th volume, the Handbook has alternated annually between coverage of the humanities and the social sciences. Approximately 200,000 references to monographs and periodical articles, published anywhere in the world, have been recorded. A cumulative author index to the first 28 volumes was published in 1986." References on the debate topic may be found in the social sciences volumes under the headings: Government and politics, and International relations; and in the humanities volumes under History.

Index to Latin American periodical literature, 1929-1960. Originally compiled in the Columbus Memorial Library of the Pan American Union. Boston, G.K. Hall, 1962. 8 v. (6030 p.)

Latin American politics: a historical bibliography. Santa Barbara, Calif., ABC-Clio Information Services, c1984. 290 p. (Clio bibliography series, no. 16)

Levine, Robert M.
Race and ethnic relations in Latin America and the Caribbean: an historical dictionary and bibliography. Metuchen, N.J., Scarecrow Press, 1980. 252 p.

The South American handbook. Chicago, Rand McNally.
Published annually.
Provides travel and descriptive information.

Werlick, David P.
Research tools for Latin American historians. New York, Garland Pub., 1980. 269 p.

Woods, Richard, Donovan.
Reference materials on Latin America in English, the humanities. Metuchen, N.J., Scarecrow Press, 1980. 639 p.

INDEXES

SOCIAL SCIENCES INDEX

Social Sciences Index, published quarterly and cumulated annually, gives author and title access to articles from political science journals. Some of the public policy journals include articles on U.S. foreign policy in Latin America. Use Library of Congress subject headings; also follow the cross-references.

SOCIAL SCIENCE CITATION INDEX

Social Science Citation Index, which covers hundreds of journals, is issued quarterly and annually. It differs from other indexes in that there are no standard subject headings; but you may search by topic by looking up key words from an article's title in the Permuterm Subject Index and referring to the Source Index for the full reference.

BUSINESS PERIODICALS INDEX

Business Periodicals index is a subject index of over 300 business periodicals. It is published monthly except August, with a bound cumulation each year. It covers a wide range of business publications, such as American Demographics, Economist, and Barrons. Search using Library of Congress subject headings and the index's cross-references.

ABC POL SCI (A Bibliography of Contents: Political Science & Government)

This is a guide to current periodical literature in the field of political science and government as well as in the related disciplines of sociology, law, and history. Started in 1969 and published five times a year, it reproduces edited tables of contents of about 300 international journals.

Latin America--(subdivided by Politics, Foreign policy, History, Military, Government)
Caribbean Area--(subdivided by Politics, Foreign policy, History, Military, Government)
Central America--(subdivided by Politics, Foreign policy, History, Military, Government)
South America--(subdivided by Politics, Foreign policy, History, Military, Government)
Military and strategic policies
United States--Foreign policy--(subdivided by Latin America, Caribbean Area, Central America, names of countries)
Organization of American States
(See also the names of countries)

AIR UNIVERSITY LIBRARY INDEX TO MILITARY PERIODICALS

The *Air University Library Index to Military Periodicals* is a subject index to significant articles, news items, and editorials appearing in 73 English language military and aeronautical periodicals not indexed in readily available commercial indexing services. The *index* is issued quarterly with annual cumulations.

Caribbean Region
Central America
  see also the names of countries
Foreign relations
Latin America
Military missions
Military policy--United States
Military aid to foreign countries
National policy--United States
Security, international
United States--Foreign relations

INTERNATIONAL POLITICAL SCIENCE ABSTRACTS

This is a bimonthly collection of abstracts of articles in the field of political science published in journals and yearbooks worldwide. The major journals are covered in full, less important ones, selectively.

Organization of American States
Latin America
Caribbean
Central America
  see also the names of countries
Military and politics
Political system
Foreign policy
United States--(subdivided by Foreign policy, Imperialism,
  National interest, Strategy, Latin America, Central
America, Caribbean, names of countries)

PUBLIC AFFAIRS AND INFORMATION SERVICE BULLETIN and MAGAZINE INDEX

PAIS and Magazine Index are available online as part of the commercial data base systems. Brief descriptions of the contents of both of these files appear in the section on printed indexes.

SELECTED PERIODICALS

SPECIFIC LATIN AMERICAN COVERAGE

Caribbean Review
Central America Report-North Central and South America
Cuban Studies
FBIS [Foreign Broadcast Information Service--Translates
  foreign news broadcasts]
Inter-American Economic Affairs
Journal of Inter-American Studies and World Affairs
Journal of Latin American Studies
JPRS [Joint Publications Research Service--Translates
  print media]
Latin America Weekly Report
Latin American Index
Latin American Perspectives: A Journal of Capitalism and
  Socialism
Latin American Research Review
NACLA [North American Congress on Latin America] report on
  the Americas

FOREIGN AFFAIRS AND WORLD ISSUES COVERAGE (these includes Latin American issues on a regular basis in a foreign relations context)

Americas (Organization of American States)
Annals
Commentary
Comparative Political Studies
Comparative Politics
Fletcher Forum

Foreign Affairs
Foreign Policy
International Security
Journal of Strategic Studies
Orbis
Strategic Review
Third World quarterly

GENERAL PUBLIC POLICY COVERAGE (these includes Latin America as issues arise)

AEI Foreign Policy and Defense Review (American Enterprise Institute for Public Policy Research)
Congressional Quarterly Weekly Report (Central America as issues come before the Congress)
Current History (Occasional issue devoted to Central America)
Economist
Foreign Service Journal
Manchester Guardian
Military Affairs
National Journal
New Stateman
Political Quarterly
Potomac Review
Conflict Quarterly
Wilson Quarterly
Washington Quarterly
Journal of International Affairs

Weekly news sources include Time, Newsweek, Senior Scholastic, and US News & World Report; daily newspapers include Washington Post, Washington Times, Wall Street Journal, New York Times, Christian Science Monitor, and Los Angeles Times; monthly/quarterly general sources include Harpers, Atlantic Monthly, Reader's Digest, and law and international law journals.

GUIDES TO ORGANIZATIONS

There are hundreds of organizations with an interest in foreign relations and Latin American policy, some of them may be able to provide information by correspondence. The list of books which follows is a selection of some of the many available guides to organizations.

Center for Voluntary Society.
Voluntary transnational cultural exchange organizations of the U.S., a selected list. Edited by David Horton Smith and others. Washington, Center for Voluntary Society, 1974. 250 p. (approx.)

Directory of American Firms operating in foreign countries. Compiled by Juvenal L. Angel. New York, Uniworld Business Publications. 9th ed., 1979.

Encyclopedia of associations. Detroit, Michigan, Gale Research Company. 4 v.
"The Encyclopedia of Associations consists of the following volumes: Volume 1, National Organizations of the United States, detailed descriptions of national trade, professional, and other organizations; Volume 2, Geographic and Executive Indexes, covering material in Volume 1; Volume 3, New Associations and Projects, periodic reports listing additional associations not included in Volume 1. Volume 4, International Organizations, detailed descriptions of international trade, professional, and other organizations; and, International Organizations Supplement, periodic reports listing additional associations not listed in Volume 4.

Encyclopedia of Governmental Advisory Organizations. Detroit, Mich., Gale Research Co. Use the name and keyword index in Volume 1, Part 3.
"A reference guide to approximately 5,000 permanent, continuing, and ad hoc U.S. presidential advisory committees, congressional advisory committees, and other agencies.

National directory of Latin Americanists: biographies of 4,915 specialists. Compiled in the Hispanic Division of the Library of Congress. Edited by Inge Maria Harman. 3rd ed. Washington, Library of Congress, for sale by the Supt. of Docs., G.P.O., 1985. 1011 p.

Research Centers Directory. Edited by Robert C. Thomas and James A. Rullner. Detroit, Mich., Gale Research Co.
A guide to university-related and other nonprofit research organizations established on a permanent basis and carrying on continuing research programs in agriculture, business, conservation, education, engineering and technology, government, law, life sciences, mathematics, area studies, physical and earth sciences, social sciences, and humanities.

U.S. Dept. of State. Bureau of International Organization Affairs. United States representation in selected international organizations and major meetings thereof. [Washington] Bureau of International Organization Affairs, 1975. 56 p.

United States Government manual. Prepared by the U.S. Office of the Federal Register. Washington, G.P.O.
Use the subject/agency index to identify Federal agencies with responsibilities in the implementation of foreign policy.

Washington information directory. Washington, Congressional Quarterly.
This directory, which is updated yearly, lists both governmental and non-governmental organizations with headquarters or branch offices in Washington, D.C.

Yearbook of International Organizations. Edited by Union of International Oragnizations. Munchen, K.G. Saur.
Volume 1: Descriptions and index; Volume 2: Countries; Volume 3: Subject guide.

FEDERAL GOVERNMENT AGENCIES

The following is a list of some of the Federal agencies which may be able to provide materials on the debate topic. Same sources listed in the previous section will provide information about agencies listed here and other agencies.

Bureau of Public Affairs
Correspondence Management Division, Room 5819A
U.S. Department of State
Washington, DC 20520
(202) 647-6575

Provides information on topics related to U.S. foreign policy. Distributes "Background notes" on specific countries; and publications from the "Current Policy", "Special Report", and "Gist" series and also has a speakers bureau which is designed to deal with special requests.

United States Mission to the United Nations
799 United Nations Plaza
New York, N.Y. 10017
(212) 415-4000

Office of Public Affairs
Office of the United States Trade Representative
600 Seventeenth St., N.W.
Washington, D.C. 20506
(202) 395-3230

U.S. International Trade Administration
U.S. Dept of Commerce
Washington, D.C. 20230
(202) 377-3808

U.S. Agency for International Development
Office of Public Inquiries
Room 4889
Washington, D.C. 20523
(202) 647-3504

Directorate for Public Correspondence
Room 2E777
Office of the Assistant Secretary of Defense (Public affairs)
Pentagon
Washington, D.C. 20301
(202) 697-5737

Peace Corps
806 Connecticut Avenue, N.W.
Room 1214
Washington, D.C. 20526
(202) 254-5010

INTERNATIONAL AGENCIES

A variety of international organizations and entities may be able to provide information to debaters. International organizations are listed in the sources mentioned earlier in this section of the guide. Some of the many international organizations include:

International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Inter-American Development Bank
808 17th Street, N.W.
Washington, D.C. 20577

Office of Public Inquiry
United Nations
New York, N.Y. 10017

Department of Public Information
Organization of American States
17th Street and Constitution Avenue, N.W.
Washington, D.C. 20006

World Bank
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

708

UNITED STATES GOVERNMENT PRINTING OFFICE
SUPERINTENDENT OF DOCUMENTS
WASHINGTON, D.C. 20402

SB-043
February 19, 1987

PUBLICATIONS RELATING TO THE 1987-88 HIGH SCHOOL DEBATE TOPIC

Latin America: What changes are needed in United States foreign policy toward Latin America?

* * * * * * * * * * * * * *

___Atlas of the United States Foreign Relations. *Provides basic information about United States foreign relations. It is divided into six sections dealing with the following: foreign relations machinery; international organizations; elements of the world economy; trade and investments; development assistance; and national security. Most of the data is based on information available prior to the summer of 1985, but for some subjects the latest reliable data is from 1980.* 1985: 98 p.; ill. revised ed.
S 1.33/2:F 76 S/N 044-000-02102-1 $ 5.00

Background Notes. *Issued with perforations.*

___ El Salvador. 1985: 8 p.; ill.
S 1.123:El 7/985 S/N 844-002-10008-9 1.00

___ Honduras. 1984: 6 p.; ill. revised ed.
S 1.123:H 75/2/984 S/N 044-000-93590-2 1.00

___ Nicaragua. 1986: 7 p.; ill. revised ed.
S 1.123:N 51/986 S/N 844-002-10117-4 1.00

___Business America: The Magazine of International Trade, Volume 10, Number 2, January 19, 1987. *In this issue Latin America swaps debt for equity.* 1987: 32 p.
S/N 703-011-00053-5 2.50

___Challenge to Democracy in Central America. *Discusses the political situation throughout Central America. Describes the Communist governments of Cuba and Nicaragua and the Soviet Union's influence in these nations. Anti-government movements in El Salvador and Nicaragua are also discussed. The current governments of Guatemala, Honduras, and Costa Rica are described.* 1986: 82 p.; ill.
S 1.2:C 33/5 S/N 008-000-00458-7 5.50

___Country Reports on Human Rights Practices for 1983, Report. *Describes the conditions of human rights in each country. Includes tables listing the amounts of United States bilateral assistance and multilateral development assistance provided for the fiscal years 1981, 1982, and 1983. Also includes charts of Selected International Human Rights Agreements.* 1984: 1494 p.
Y 4.F 76/1:H 88/10/983
S/N 052-070-05903-6 23.00

Country Study. *Clothbound.*

___ Honduras. 1984: 328 p.; ill.
D 101.22:550-151/2 S/N 008-020-00997-1 $13.00

___ Nicaragua. 1982: 308 p.; ill.
D 101.22:550-88/2 S/N 008-020-00932-6 12.00

___ Decade of Confrontation? The 1980s: Proceedings of the Eighth Annual National Security Affairs Conference, July 13-15, 1981. *Contents of publication: The United States and the USSR: Is confrontation inevitable?; The Middle East and Southwest Asia: What strategies for the United States?; Central America and the Caribbean: Cockpit of big power conflict?; NATO and the Warsaw Pact: Can internal differences be managed?; Global Terrorism: What should the United States do?* 1982: 334 p.
S/N 008-020-00899-1 9.50

___ Defense Assistance, Agreement Between the United States of America and Honduras, Relating to the Agreement of May 20, 1954, Effected by Exchange of Notes Signed at Tegucigalpa May 6 and 7, 1982; Entered Into Force May 7, 1982. *Text in English and Spanish.* 1985: 12 p.
S 9.10:10578 S/N 844-001-00189-1 1.00

___ Department of State Bulletin, The Official Record of United States Foreign Policy. (Monthly and Annual Index.) *Provides information on the development of foreign relations, operations of the State Department, statements by the President and Secretary of State, and special articles on international affairs.* Subscription price: Domestic - $25.00 a year; Foreign - $31.25 a year. Single copy price: Domestic - $2.75 a copy; Foreign - $3.45 a copy. Annual Index: Domestic - $1.50 a copy; Foreign - $1.90 a copy. [DSB] (File Code 2E)
S 1.3: S/N 744-002-00000-1

___ Economic Assistance, Economic Recovery Program, Agreement Between the United States of America and Honduras, Signed at Tegucigalpa September 24, 1982; Entered Into Force September 24, 1982. *Text in English and Spanish.* 1985: 11 p.
S 9.10:10505 S/N 844-001-00115-7 1.00

___ Inside the Sandinista Regime: A Special Investigator's Perspective. *Includes a firsthand look at the Sandinista government, as presented by former Nicaraguan Ministry of Interior employee Alvaro Jose Baldizon Aviles during interviews. The report focuses on human rights violations. Text in English and Spanish.* 1986: 48 p.; ill.
S 1.2:Sa 5/4 S/N 044-000-02110-2 2.00

___ Latin America Trade Review, 1985: A United States Perspective. *Discusses overall trade trends in the region, United States imports from and exports to Latin America, and the United States trade balance. Analyzes trade trends in: Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, and the Caribbean Basin.* 1986: 55 p.
S/N 003-009-00474-8 3.00

___Latin American Insurgencies. *Presents papers from three meetings held in the Spring of 1984. Topics discussed include: insurgent movements in Peru and Guatemala; Cuban and Nicaraguan Operations; the Palestine Liberation Organization in Latin America; American policy options; and the course of insurgencies in the future.* 1985: 227 p.; ill.
D 5.402:In 7 S/N 008-020-01030-8 $ 3.25

___Lessons of Grenada. *Provides an analysis of the New Jewel Movement under Prime Minister Maurice Bishop in Grenada, from 1979-1983. Also describes how American and East Caribbean military forces rescued Grenada from Communist rule.* 1986: 25 p.; ill.
S 1.2:G 86/3 S/N 044-000-02109-9 1.25

___New Jewel Movement: Grenada's Revolution, 1979-1983. *Provides an analysis of the rise and fall of the New Jewel Movement in Grenada, from the perspective of a Foreign Service Officer. Political factions within the NJM are examined as well as Grenada's relations with Cuba, Soviet Block nations and surrounding Caribbean countries. Includes biographies of former Prime Minister Maurice Bishop and support personnel in the New Jewel Movement and the People's Revolutionary Government.* 1985: 231 p.
S 1.114/3:J 54/979-83
S/N 044-000-02059-9 5.00

___Report of the National Bipartisan Commission on Central America. *Topics covered in this report include: a hemisphere in transition; crisis in Central America: An historical overview; toward democracy and economic prosperity; human development; Central American security issues; and the search for peace with particular emphasis on El Salvador and Nicaragua.* 1984: 132 p.
Pr 40.8:B 52/C 33 S/N 040-000-00477-7 4.75

___Sandinista Military Build-up. *Includes a brief history of the Sandinista Revolution in Nicaragua and provides a detailed analysis of accelerated military acquisitions and active duty force growth.* 1985: 44 p.; ill. revised ed.
S 1.26:119 S/N 044-000-02055-6 1.75

___Sandinista Prisons: A Tool of Intimidation. *Focuses on the conditions under which political prisoners are held in Nicaragua.* 1986: 13 p.; ill.
S 1.2:Sa 5/5 S/N 044-000-02146-3 1.00

___Soviet-Cuban Connection in Central America and the Caribbean. *Provides information about Soviet and Cuban Military power and intervention in Central America and the Caribbean.* 1985: 45 p.; ill.
S 1.2:So 8/8 S/N 008-000-00419-6 2.25

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